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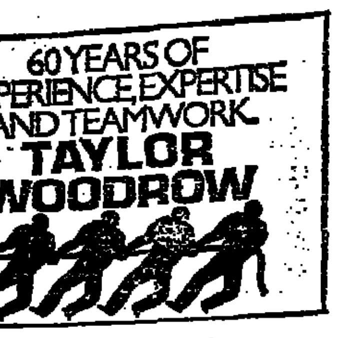


NEWS SUMMARY

GENERAL

General election plan for Turkey

The military administration in Turkey has drawn up a timetable for restoring democracy. A general election is planned for the autumn of 1983.

A new constitution is being drafted, and will be put to a national referendum in autumn 1982. Page 2

Beirut bomb toll

At least 20 were killed and 80 wounded in an explosion that destroyed the Iraqi embassy in Beirut. Page 6

Probes 'review'

West Yorkshire police will review their training and investigation methods because of shortcomings and errors of judgement" during the Ripper ...

Council cuts

Overspending" local authorities in England could lose ...32m in grant, but there are ...al doubts over the penalties ...nned. Page 8

...op Labour job

Jim Mortimer, former chairman of the Advisory Conciliation and Arbitration Service, ...s appointed Labour Party General Secretary. Back Page; Profile, Page 9

'Help Manchester'

Manchester City Council ...ealed to Government to ...ke it a Development Area ... help reverse inner city ...y. Page 8

...aze deaths

...o died and at least 15 were injured as fire swept through three houses in West London.

Sotheby's move

Sotheby's decided to maintain its 10 per cent buyers premium and increase its charge to vendors by 5 per cent to 15 per cent on lots sold at £500 or less ... a move that dismayed dealers.

... deal for Pope

... has won the contract to build ...icles to carry the Pope ...ing his visit to the UK next ...r.

Family rites

The Pope affirmed conservative ...ws on divorce, abortion, premarital sex and "artificial" birth control in a 175-page pastoral letter.

Boult retires

Sir Adrian Boult, the conductor, announced his retirement after 60-year career. He is 92.

'Post now' plea

The Post Office asked the public ... post their Christmas mail ...ght away" to beat the bad weather.

Weather hazards

Freezing fog, black ice and snow continued to cause problems for motorists throughout Britain. The forecast is for another three or four days' ...ld weather.

...w motor-cycle test comes into ...ce on March 29.

Champagne producers had their ...d bad year running.

FINANCIAL TIMES

... apologise to readers who ...e unable to obtain their ...y of the Financial Times ...erday. This was due to production difficulties.

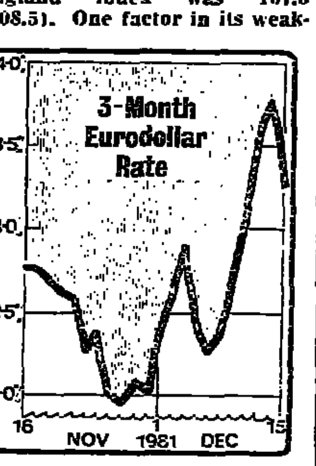
The Speyhawk prospectus ...ch appeared yesterday is re...ed today on pages 10 and ...

BUSINESS

Sterling up 1.83c; Gilts improve

● STERLING improved to $1.88525, up 1.825c. It was higher at DM 4.27 (DM 4.265), SwFr 3.455 (SwFr 3.4475) and FFr 10.785 (FFr 10.73) but easier at Y410 (Y412.25). Its trade-weighted index rose to 89.9 from 89.6. Page 23

● DOLLAR weakened to DM 2.265 (DM 2.2835), SwFr 1.8325 (SwFr 1.846) and Y217.4 (Y220.7). Its Bank of England index was 107.3 (108.5). One factor in its weakness was lower Eurodollar interest rates, with one-month rates down to 13[illegible] per cent from 13[illegible], and three-month rates to 13[illegible] per cent from 13[illegible]. This reflects thin trading ahead of Christmas, and may be a reaction to recent sharp gains. Page 23



● EQUITIES rallied after an easier start. The FT 30-Share Index finished 0.1 lower at 513.5.

● GILTS improved on sterling strength and Bank of England intervention in money markets. The Government Securities Index added 0.17 at 62.5. Page 28

● GOLD fell $4 to $414.5 in London. In New York the Comex December close was $418. Page 23

● WALL STREET was up 2.85 at 874.33 before the close. Page 26

● BELGIAN FRANC jumped from the bottom of the European Monetary System to the top, after action by the Central Bank

● GENERAL ELECTRIC leads a consortium set to win a contract worth $350m (£188m) to supply equipment for the Seoul underground railway, South Korea. Back Page

● EXPORT CREDITS Guarantee Department's financial position has got sharply worse because of high payment to compensate exporters for losses on overseas markets. Spending more Page 6

● FORD'S 16,000 white-collar workers accepted a 7.4 per cent pay increase, the same figure rejected by manual workers, who plan to strike next month. Page 8

● CREDITORS of Clarksons Holidays, the subsidiary of Court Line, which crashed in 1974, are to get a further payment of 2p in the £, for a total of 17p so far.

● ARTHUR GUINNESS saw pre-tax profits fall £1.5m to £41.8m for the year to September 26. Final dividend was held at 3.325p for an unchanged total of 4.9p. Page 18; Analysis, Page 22

● NORTHERN FOODS reported pre-tax profits up from £31.56m to £34.63m for the year to September 30, with all main divisions showing higher trading profits. Page 18; Lex, Back Page

● HOKUTAN Yubari, Japanese mining company which lost 93 miners in a gas explosion in October, collapsed financially, leaving debts of Y72.1bn (£175m)). Page 25

...EF PRICE CHANGES YESTERDAY

(...s in pence unless otherwise indicated)

RISES

... 3pc 1985 ...	£72[illegible]	+ [illegible]
... 15pc 1997 ...	£94[illegible]	+ [illegible]
...w Cement	360	+ 10
... Scotland ...	473	+ 15
...d (S. W.)	128	+ 6
... Hambro	327	+ 53
...gar	408	+ 10
...n.	171	+ 5
...	787	+ 7
... (A.)	66	+ 5
...nds.	138	+ 10
...A.)	245	+ 15
...iot	37	+ 4
...wsagent	255	+ 22
... House	415	+ 10
... Wine	43	+ 5
... Inv. ...	160	+ 4
...	420	+ 7
...	173	+ 9
...r ...	22	+ 4
Thorn EMI	447	+ 7
KCA Intl.	137	+ 5
Pengkalen	270	+ 5

FALLS

Chapman (Balhm.)	140	− 10
English Assoc.	145	− 10
Guinness Peat	93	− 5
Haslemere Estates	383	− 10
Horizon Travel	271	− 9
ICL	42	− 4
Ward (T. W.)	196	− 10
Claremont Pet.	67	− 6
De Beers Dfd.	362	− 10
Grootvlei	506	− 19
Hartebeest	£29	− 1[illegible]
Meekatharra	460	− 35
Pancontinental	154	− 10
Silvermines	74	− 8
Rustenburg	234	− 16
Western Mining	246	− 8
Zandpan	493	− 45

Solidarity appeals for world support against Polish crackdown

A SOLIDARITY strike committee in the Baltic port of Szczecin yesterday issued an appeal to world opinion for "massive support and moral help" against the imposition of martial law in Poland. The call came as troops and militia continued a crackdown against strikers in major plants across the nation, our Foreign Staff writes.

The appeal, smuggled out aboard the ferry Pomerania which sailed from the nearby port of Swinowjscie to Copenhagen yesterday, called on all foreign governments and peoples to "show solidarity with Solidarity."

The document accused the ruling military council of "manipulating with fear hundreds of thousands of Polish workers and patriots."

It demanded an end to martial law, the release of all those arrested and "the restoration of all labour and democratic rights the nation has won since August 1980."

This theme was unconsciously echoed by EEC Foreign Ministers meeting in London who issued a communique calling on the Polish Government to solve its internal problems without the use of force, and without abandoning the reform programme which began 16 months ago.

Implicit in the statement was the warning that the EEC might discontinue financial and food aid if Gen Wojciech Jaruzelski's military council resorted to the use of force.

The communique followed Monday's statement by Mr Alexander Haig, the U.S. Secretary of State, that $200m (£106m) worth of urgent U.S. food aid for Poland had been held up until the situation became clearer.

This could turn into permanent diplomatic and economic sanctions by the West if Poland decides to crush the independent labour movements, U.S. officials added later.

The Soviet news agency Tass responded yesterday to Mr Haig's remarks by accusing the U.S. of "overt interference in Poland's internal affairs" and accused Mr Haig of demanding "a free implementation in Poland of political experiments . . . directed at overthrowing the existing socialist system."

Another Tass report said that a first meeting of the Military Council for National Salvation took place in Warsaw yesterday to review the situation in the country.

Several of Poland's key industrial and mining installations have been placed under the direct control of "plenipotentiary military commissars" and Warsaw Radio announced the first criminal proceedings against Solidarity leaders for alleged violation of the martial law decrees.

Mr Andrzej Slowik, chairman of the union branch in Lodz, and his deputy, Mr Jerzy Kropinnicki, were arrested on Monday after an unauthorised rally in the city, Warsaw Radio said.

There were also conflicting reports about the fate of Mr Lech Walesa, the Solidarity leader. According to diplomats in Paris, Mr Walesa is under detention in the Warsaw area and is not in a position to negotiate freely.

Earlier reports indicated that Mr Walesa refused to negotiate with the authorities unless he was able to communicate with the Primate, Archbishop Jozep Glemp, and other Solidarity leaders held by the authorities.

But in Madrid, the chief Polish representative at the Conference on Security and Co-operation in Europe, Mr Wlodimiera Konarski, said he understood that Mr Walesa was not detained and was "near Warsaw, participating in negotiations with the authorities." He added that other Solidarity leaders had been detained "but are not in prison."

Fragmentary reports published by the Polish news agency PAP indicate that rank and file Solidarity members appear to be recovering from the unexpected arrest of the movement's more prominent leaders and organising sit-in strikes, leaflets distribution other forms of protest in several parts of the country.

Travellers returning to Scandinavian ports by ferry from Poland reported widespread troop movements

Tass reported from Poland that railways and urban transport in Warsaw and other cities were functioning normally, most factories were working and shops had sufficient supplies.

Details, Page 2

Tebbit outlines £1bn a year training plan

BY ALAN PIKE

THE GOVERNMENT yesterday launched a £1bn a year programme to reform industrial training in Britain amid bitter trade union criticism of plans to reduce school leavers' entitlement to allowances and benefits.

Under proposals outlined by Mr Norman Tebbit, Employment Secretary, in a White Paper yesterday, from 1983 all unemployed 16-year-old school leavers will qualify for year-long places on a Youth Training Scheme combining work experience and further education.

The Government proposes that the trainees will receive allowances of only about £750 per year — about £14 to £15 a week — compared with £25.50 per week — shortly to rise to £25 — which young people receive on the existing Youth Opportunities Programme. Since 16-year-olds will be guaranteed places on the scheme, the Government is to introduce legislation which will treat them in the same way as those who remain at school after 16 and prevent them drawing supplementary benefit for a year.

Mr Len Murray, TUC general secretary, said last night that the Government had borrowed some goo dideas from the Manpower Services Commission's proposals for reforming industrial training, but had "managed to rob them of their real purpose and value by contaminating them with mean-minded prejudice."

Labour criticism, Page 9
Editorial Comment, Page 16
Risky initiative, Page 17

There was similar criticism from other union leaders, who referred to "industrial conscription" and "forced labour."

The most critical immediate question for the Government is whether trade union anger over the benefits aspect of the proposals will be sufficient for the TUC and individual unions to withdraw support from the scheme. Mr Tebbit moved swiftly to try to allay the criticism, saying that he hoped union leaders would not prejudice the chances of young people getting the training which everyone agreed they needed because of disagreement over what was really a marginal aspect.

The proposed training scheme for unemployed young people is the first stage of a new approach to vocational preparation which will eventually be available to all young people who do not continue in higher education.

There are two other aspects of the New Training Initiative to which the White Paper gives

Continued on Back Rage

Bank joins talks on future of Laker

By Alan Friedman

THE BANK OF ENGLAND has entered into high level talks about the future of Laker Airways. Bankers involved in Laker's major loan syndicates said yesterday that the Bank is providing "good offices" and that discussions now transcend the question of debt rescheduling and concern the basic profitability and financial management of Laker Airways.

Midland Bank, the leader of the syndicate which provided $131m (£10.17m) of finance for the purchase of three A-300 Airbuses, said: "Discussions are now taking place outside the syndicate in an attempt to resolve the quecstion of the future of Laker Airways."

The airline is understood to be suffering from cash flow problems and has been affected by increasingly severe competition from other airlines on the North Atlantic route.

Bankers involved in the debt rescheduling negotiations said last night there was still no resolution of demands from Dresdner Bank and Bayerische Vereinsbank of West Germany and Creditanstalt Bankverein of Austria that Airbus Industrie, the manufacturer, agrees to shoulder a larger part of the risk attached to the airbus debt.

Airbus Industrie is jointly owned by French (37.9 per cent), West German (37.9 per cent), British (20 per cent) and Spanish (4.2 per cent) interests. Yesterday it ruled out the possibility of taking over the $27m of risk held by the German and Austrian bank members of the Midland syndicate.

M Roger Beteille, managing director of Airbus Industrie, confirmed that his group had

Continued on Back Page

Israeli army is placed on alert

BY DAVID LENNON IN TEL AVIV AND REGINALD DALE IN WASHINGTON

ISRAELI armed forces were put on alert yesterday and the Chief of Staff was urgently recalled from a visit to Egypt as the prospect of fighting in the region increased following the Israeli annexation of the Golan Heights.

Mr Caspar Weinberger, the U.S. Defence Secretary, refused to rule out American backing for possible retaliatory United Nations' sanctions against Israel.

In a sharp attack on Israel's sudden action Mr Weinberger said the U.S. was very unhappy at the move which was clearly a violation of UN resolutions "and therefore of the Camp David agreements."

In Cairo President Hosni Mubarak said Egypt would not be dragged into a Syrian-Israeli war, and its relations with Israel would probably be unaffected by the Golan annexation.

Talks between Egyptian, Israeli and U.S. officials on Palestinian autonomy resumed in Tel Aviv yesterday.

The Israeli army was placed on the alert after Syria announced that the annexation amounted to a proclamation of war. Damascus said the Israeli decision cancelled the ceasefire between Syria and Israel which was signed after the 1973 war.

The Syrians are to press for UN sanctions if Israel does not rescind the annexation within a week.

Gen Ariel Sharon, the Israeli Defence Minister, toured the Golan Heights and said the army had taken all the necessary precautions to deal with the possibility of Syrian troop movements, or attempts by Palestinian guerrillas to strike at Israel.

General Rafael Eitan, the Chief of Staff, was recalled from his visit to Egypt which was due to continue until tomorrow. The Defence Ministry said he was summoned home "because of the situation."

However, despite the military tension in Israel, General Emmanuel Erskine, the commander of the United Nations forces in the Lebanon, said there were no signs of Syrian troop movements near the Golan Heights.

In the U.S., Mr Weinberger said American reaction to Syria's demand for UN action would depend on the nature of the sanctions and whether there was some other way of getting Israel to change its policy.

The Defence Secretary added that President Reagan felt very strongly that the Camp David process should not be interfered with.

The Israeli action was the sort of event which cast doubts on the whole process and was therefore something the U.S. would have to be very concerned about, he said.

EEC foreign ministers meeting in London added their voice to the flood of international protests over the Israeli action, declaring that it breached international law and was "therefore invalid in our eyes."

Syria pledge to confront flagrant aggression, Page 6

£ in New York

—	Dec. 14	Previous
Spot	$1.8680-8695	$1.8660-8680
1 month	0.35-0.30 dis	0.32-0.29 dis
3 months	0.85-0.77 dis	0.85-0.80 dis
12 months	1.20-1.00 dis	1.20-1.00 dis

ICL makes £32m rights issue

BY GUY DE JONQUIERES

ICL, BRITAIN'S largest computer manufacturer, yesterday launched a £32.2m rights issue after reporting a net loss of £133.1m for the year to September 30. The loss includes a £78.1m extraordinary charge for redundancies and rationalisation.

ICL, which was rescued last March by a £200m Government loan guarantee, made a pre-tax loss of £49.8m. In the previous year it made a pre-tax profit of £25.1m and a net attributable profit of £6m.

Turnover fell to £711.1m from £715.8m. The company said that the fall occurred during the first half of its financial year and was due to a drop in business in Europe, including the UK. Revenues from the rest of the world rose slightly to £318.7m (£311.8m).

Mr Christopher Laidlaw, the chairman, declined to give a profit forecast for the year, although he expected ICL to continue in loss during the first half to March 30. Although fully provided for, £40m of costs arising from its recent rationalisation programme remain to be cleared.

Recent reorganisation of ICL's product range and cost-cutting measures, including a plan to reduce its staff worldwide by a further 1,500, were intended to restore the company to profit even if there were no improvement in the economic situation, he said.

"We would be extraordinarily disappointed if we were not making a profit by April 30, 1983," he said. That is the redemption deadline for the £50m of preference shares which ICL issued to its main banks earlier this year.

Mr Laidlaw said that yesterday's rights issue, which is on a 1-for-1 basis at 25p, "cannot really be regarded as the end of the road." ICL was still under-capitalised and would probably have to undertake a further financial restructuring.

He indicated that the decision to proceed with a rights issue had been welcomed by the Government, which had reluctantly agreed to extend its loan guarantee to the preference shares held by the banks.

The Government also agreed last month to extend the guarantee, originally granted for two years, by an additional three years on a reducing basis.

ICL's borrowings are expected to rise in the first half of this year. Gross borrowing stood at £201.3m on September 20, including £79.3m of export credits.

● ICL is negotiating to sell its only microchip plant, at West Gorton, near Manchester, to Fujitsu of Japan for an undisclosed sum. ICL said that it could not afford the £20-30m annual investment needed to keep the plant up-to-date.

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BL sells Coventry Climax subsidiary

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

BL has sold Coventry Climax, its fork lift truck subsidiary, to an investment consortium headed by Sir Emmanuel Kaye, founder and chairman of the Kaye Organisation which owns Lansing Bagnall, the largest British fork lift truck maker.

The sale to Climax Holdings, the company formed for the purpose, takes effect on January 1 1982. It is in line with BL's policy of withdrawing from non-mainstream activities, and follows the recent sales of Prestcold, Alvis and Leyland's tractor interests. The price for Coventry Climax has not been revealed, but it was described as "substantial" by a BL spokesman yesterday.

Sir Emmanuel is the majority shareholder in Climax Holdings, the remaining shares being held by other private investors. A statement from BL emphasised that Sir Emmanuel was buying the Coventry Climax shares in a private capacity. Coventry Climax and Lansing Bagnall would operate separately and there would be no shared directors.

Coventry Climax has been making big losses for the past couple of years in a market which has halved over the same period. A restructuring plan is in the process of being implemented which involves the closure next spring of the Warrington plant with the loss of 350 jobs. Redundancy costs and transfer of equipment to the company's main Coventry plants will be borne by the new company. This will be followed by a reduction in management and white-collar staff

Sir Emmanuel will bring in Mr Steven Gray, former managing director of Henley lift trucks, as a consultant at Coventry Climax.

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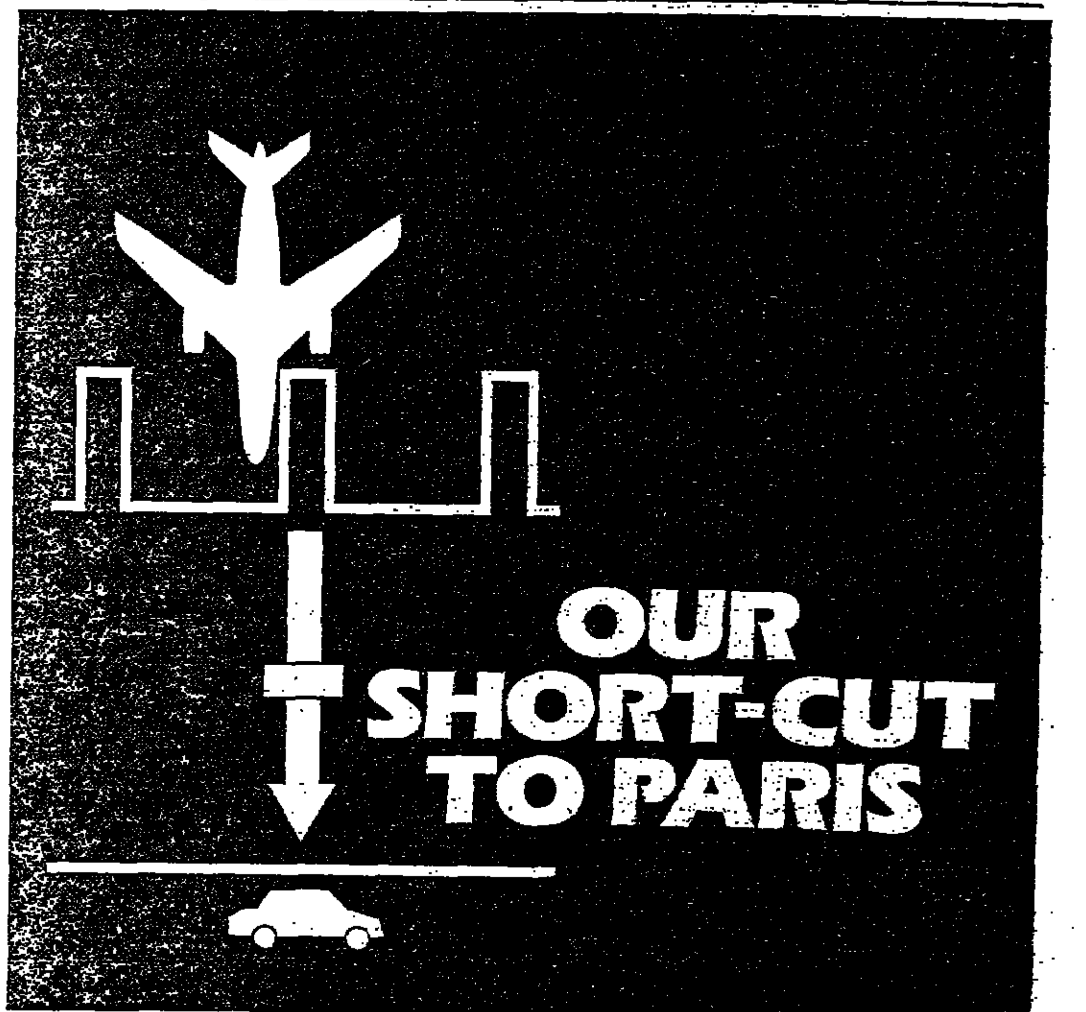
For latest Share Index phone 01-246 8026



ECGD discloses £850m business at risk

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE BRITISH Export Credits Guarantee Department (ECGD) has £850m-worth of business at risk in Poland and has had to meet claims for reimbursement of £60m this calendar year, Mr Kenneth Taylor, Secretary of the Department, said yesterday.

The downturn in the Polish economy, reflected in the fall of export shipments to the UK, and the rescheduling of Poland's official debt earlier this year, suggest an increase in the number of claims the ECGD will face during the coming months.

Most of the ECGD's exposure is related to large development projects launched in the 1970s by the Gierek Government. But little project business has been sought or won by UK exporters over the past two years.

New ECGD cover is confined to a limited amount of business on terms of credit up to six months. Such cover is only forthcoming against irrevocable letters of credit. It has been running at £4m-£5m a months since April.

Claims met by the ECGD follow on the negotiations which delayed payments on Polish debt by four years. However, after that period the ECGD would expect to recover some or all of the funds it has been paying out as the rescheduled payments come through to banks.

Some of the cover the ECGD has provided over the past eight months has been forthcoming for political rather than commercial reasons.

This applies to lines of credit worth £65m tied to the purchase of foodstuffs and industrial raw materials to meet immediate Polish needs. These were used up as quickly as they were signed.

Although there have been no defaults on payments for the sale of British goods and services covered by the ECGD, the downward spiral of the Polish economy causes acute doubts about future payments.

The slowing flow of Polish goods to the UK market is an indication of the economic decline.

Statistics collated by Freight Information Services show that meat and meat product shipments, a staple Polish export, had declined to an average 309 tonnes a month in September and October from a 1980 monthly average of 1,433 tonnes. Coal exports, which averaged 37,000 tonnes a month last year, have stopped.

Although furniture and clothing shipments have held up, footwear shipments have halved since last year and manufactured materials have declined from a monthly average of 11,200 tonnes last year to 5,600 tonnes in September and October.

With the borders closed, UK importers are now uncertain about future shipments. Automotive Distributors, for example, was expecting a vessel to leave from Gdansk this week with 450 Polonez and FSO cars. It does not know when it will leave.

In parallel, UK exports to Poland have fallen sharply. Lack of statistics prevents the compilation of cumulative totals, but exports last October were worth £12.1m, compared with £19m in October 1980.

Trade, indeed, has sunk to *such a low level* that when the UK-Polish Joint Commission held ministerial talks in October it was not thought worthwhile to call in representatives from business.

This trend was expected as Poland concentrated its buying on goods and equipment of prime necessity. But it has led to isolated cases of increased British sales. Thus Perkins this year is providing 5,000 engine kits to the gigantic Ursus tractor plant, compared with 2,000 in 1980.

ECGD report, Page 6

Rulers neither propose nor expect economic miracles

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

ONE OF the few specifically economic measures announced by the new Military Council of National Salvation in Poland was the reintroduction of the *six-day working week.*

This will hardly lead to increased production, however, because the roots of low output lie in shortages of imported and home-produced spare parts and periodic power shortages.

But six-day working could lead to an increase in production in the vital coal and other mining and extraction industries.

Even here, though, higher production will depend on the ability of the military authorities to supply sufficient food to keep up miners' strength and on the willingness of miners to respond to martial law and the arrest of Solidarity leaders with renewed efforts rather than fresh strikes. Early reports speak of sit-ins at major enterprises and stoppages in the key Silesian coal basin.

It is clear from the tone of the new government's first statements that it is neither proposing nor expecting miracles. The harsh facts about an economy in a state of virtual free-fall remain.

National income has fallen by 15 per cent this year to the level of 1974. A worse-than-expected drop in coal production has cut this year's output forecast to 163m tons, although there were signs in recent weeks of a pick-up because of miners' willingness to heed Solidarity calls for more voluntary Saturday working.

Production of steel, cement, aluminium and copper and of other heavy energy and raw material consumers have shared a similar decline. Components *shortages have played havoc* with production schedules in the car industry and wide swathes of the Polish engineering sector.

Foreign trade figures have not been published since July. At that stage exports were down 18 per cent to $8.1bn and imports were 9 per cent lower at $9.8bn, to give a trade deficit of $1.7bn.

For the year as a whole, the likely trade deficit will be close to $3bn — with the Soviet Union financing the bulk of it through hard currency loans of $1.1bn, a re-scheduling of soft currency loans and willingness to run a substantia ltrade surplus with Poland.

Western bankers, waiting to see how workers respond to the imposition of martial law, are *hoping that the Soviet Union* will step in with another hard currency injection, despite its own diminishing hard currency reserves which dropped $5bn over the first half of this year.

Raising export production is one of the top priorities for 1982. But other key priorities, in General Jaruzelski's own words, are creating the conditions for the re-establishment of "sound money" and narrowing the widening gap between town and country.

All these are closely linked. In the absence of exportable goods, imports have had to be cut. This in turn has reduced the effective capacity of industry to produce.

The absence of goods to buy, in the face of a 32 per cent increase in the wage and salary bill, has led to a flight from the zloty, a hugely inflated black market in hard currency, the re-emergence of a crude barter and black market economy, deep social resentment at interminable queues, and an increase in petty crime, hoarding and profiteering.

The most obvious and danger*ous negative effect has been to* reduce artificially the supply of meat and other foodstuffs, despite this year's relatively good harvests.

Farmers have simply refused to sell their animals or grain to the state when there is nothing to buy with their profits.

Battle against news blackout

BY LESLIE COLITT IN BERLIN

THE SEVERING of communications from Western news agencies in Warsaw by the Polish military Government has cut off Poles from their only source of outside information on the drama unfolding in their country.

The news agency reports were broadcast back to Poland by Radio Free Europe (RFE) and the BBC in Polish language programmes heard by millions of Poles.

Both radio stations said this was the main reason the Polish military government had cut the telex lines used by Reuters, Associated Press, United Press International and the other Western news correspondents in Warsaw.

Radio Free Europe in Munich said its 18 hours of programmes beamed to Poland daily were jammed yesterday, even though the station was no longer able to carry reports from the silenced Western news agencies in Warsaw.

The jamming, however, was effective only partially in some areas of Polish cities. BBC programmes beamed to Poland have not been jammed since the mid-1950s.

RFE's Polish broadcasts have an estimated audience of between 8m and 14m people, while the BBC's three hours of Polish programmes are head by some 6m to 7m. In the current crisis these figures are likely to have soared.

RFE said it was telling Poles about the meagre information coming out of their country.

EEC urges 'no force'

EEC MEMBER states yesterday called on the Polish Government to solve its internal problems without the use of force and without abandoning the reform programme which began 18 months ago.

Implicit in the statement issued by Community Foreign Ministers yesterday, was the warning that the Ten might not continue to supply both financial and food aid if the military council launched a repressive crackdown on the Solidarity trade union movement.

They repeated their familiar call to the Soviet Union to avoid any interference in Poland by referring to the terms of the Helsinki Final Act.

The Ministers stressed that "they look to Poland to solve these problems herself and without the use of force, so that the process of reform and renewal can continue."

EEC governments have yet to be convinced that the crackdown by Gen Jaruzelski is not Soviet-inspired. Although all government have recognised, that the Solidarity movement and general turbulence have brought the Polish economy to a virtual halt, none wishes to see the reforms of the last 18 months' stamped out in Poland.

Credit line worth $4bn from Moscow

By Peter Montagnon, Euromarkets Correspondent

THE Soviet Union has extended rouble credits to Poland worth the equivalent of nearly $4bn (£2.1bn), according to confidential documents circulated to Western banks this week.

The credits, *listed in draft* documentation of the planned rescheduling agreement between Poland and its Western bankers, come from the Moscow-based International Bank for Economic Co-operation (IBEC) and International Investment Bank as well as the Bank for Foreign Trade of the USSR. They bear very low interest rates at between 2 and 5 per cent.

The largest credit, for roubles 2.2bn (£1.5bn) comes from IBEC and is described simply as being a "financial credit to cover trade deficit."

The next largest is from the Soviet Foreign Trade bank and is a 2 per cent, roubles 614m credit, repayable between 1986 and 1991.

The credits total roubles 2.98bn, but Western bankers said yesterday that they did not comprise the sum of Soviet assistance to Poland because the figures in the documentation did not include assistance in Western currencies, about which the West steel has scant information. Estimates of hard currency assistance this year range up to $2bn.

Although the documentation does not mention the threat of Soviet invasion specifically, the conditions attached to the rescheduling agreement imply that it could be unwound in such an event if it was deemed as having "an adverse material effect on the political, economic or financial condition" of Poland.

The agreement could also be unwound if Western governments suspended their arrangement, reached in Paris last April, to reschedule their debts with Poland, the documentation states.

If Poland joins the World Bank and IMF, reports by those organisations on its economy, or by Poland to them, must be made available to the banks, it says.

General election expected in Turkey in 1983

BY METIN MUNIR IN ANKARA

THE MILITARY Administration in Turkey is expected to call general elections in 1983 as part of its plan for the restoration of democracy.

A new constitution — *currently being drafted by the* Consultative Assembly appointed by the ruling generals—will be put to a national referendum in the autumn of 1982.

The next steps will be publication of a law governing political parties and the lifting of the ban on political activity imposed after the coup in September 1980.

New political parties will be allowed to replace those dissolved two months ago. The Consultative Assembly will be dissolved after drafting a new election law with the aim of holding a general election in the autumn of 1983.

General Kenan Evren, the head of state and chief of staff, is expected to reveal the first part of this programme, the referendum, in his New Year address to the nation.

The announcement of the programme is intended to appease public opinion in the country and ease mounting pressure brought to bear on Turkey by some of its West European allies.

Gen Evren has said that his Administration will not be *hurried by outside pressures* and would complete its programme at its own place.

The programme consists of eradicating political terror and healing the economy, and devising a new political and constitutional framework for Turkey.

The Consultative Assembly will put all legislation before Gen Evren and the ruling National Security Council, which has the last say on all executive and legislative matters.

It is believed that the new constitutional order will try to lay the foundations of a stable political environment, with a strong President and a two-party system. Gen Evren is likely to stand for election as President.

The politicians ousted by the coup, including former Premiers Mr Suleyman Demirel and Mr Bulent Ecevit, are likely to be barred from politics for at least one term of Parliament.

UK budget demands delay Community reform deal

BY JOHN WYLES

BRITAIN'S demands for long-term limits on its payments to the European Community Budget emerged yesterday as the main obstacle to agreement by the Ten on a package of guidelines for reform of Community policies.

An informal meeting of EEC Foreign Ministers in London yesterday ended with an undertaking to renew talks on January 14.

M Gaston Thorn, the President of the European Commission, has been asked to draft compromise proposals for resolving problems over guidelines on the development of non-agricultural policies, reform of the Common Agricultural Policy and new arrangements for reducing the UK's payments to the Brussels budget.

Lord Carrington told his colleagues of the need for a special deal running at least seven years.

But the most other member states appear to be rallying around the French position that the EEC should fix a new deal for the UK lasting three to four years.

Herr Hans Dietrich Genscher, the West German Foreign Minister, did not seem to argue forcefully for limits on Germany's budget payments.

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Two Germanies battle together to avoid the worst

BY JONATHAN CARR IN BONN

SIRENS WAILED, whistles blew and dozens of leaflets floated down bearing the word "*Krise*," repeated time after time. "This is the end," called an old man from the stage, his last word almost cut off by the fall of the curtain.

Little wonder that the audience lost week at East Berlin's Komische Oper left in sombre mood, as though shell-shocked. The work they had seen—Kurt Weill and Bertolt Brecht's "Rise and Fall of the City of Mahagonny" (1927)—aims to show the collapse of the capitalist way of life. But the East Berlin production seems to go much further, warning how escalating crisis can mean the end of life itself.

This concern above all was the *Leitmotif* of the talks near East Berlin at the weekend between Herr Helmut Schmidt, West Germany's Chancellor, and Herr Erich Honecker, the East German state and Communist Party leader. The two Germanies are fundamentally at odds on many key issues, but they have one overwhelming thing in common: as the front-line states of their respective alliances, they would be the first to go under—and probably be obliterated—in an East-West nuclear war.

Herr Honecker made that clear enough when he talked of a possible nuclear catastrophe and then, almost in the same breath, noted that both German states "located as they are at the centre of Europe and at the dividing line between the two world systems and the two military alliances, need peace and detente to a special degree."

Herr Schmidt noted in his reply that the U.S.-Soviet negotiations on intermediate-range nuclear weapons had begun in Geneva, and stressed that "above all because the Second World War emerged from German soil, we Germans cannot and should not restrict ourselves to the role of interested spectators (of the superpower talks)."

The question is what action can Bonn and East Berlin take to try to see that the worst does not happen. Few would deny that the West Germans have influenced both Nato's general strategy on intermediate-range nuclear weapons, as well as Washington's tactical approach to the Geneva talks. But what room for manoeuvre does Herr Honecker have with Moscow?

Some of Herr. Schmidt's remarks during this summit meeting might be interpreted as meaning that he believes Herr Honecker can fulfil this role. The idea that medium-sized European states of East as well as West can influence the superpowers is, after all, not a new one to the Chancellor. But the key example of this on the Eastern side—the arrangement by Mr Edward Gierek, the *former* (and *now interned*) Polish leader, of a summit in Warsaw last year between Russia and France—itself serves to show the limits.

Aides to the Chancellor suggest that the realistic objectives at present are more modest—but still hard to achieve and well worth aiming for. The two German states, it is said, can make a new effort to reduce those matters of bilateral friction which themselves could be the cause of East-West tension. And they can have far more intensive contacts than hitherto, so that each side understands better the reasoning of the other and the pressures under which each is working.

On the face of it, that does not sound like very much, but as Herr Schmidt noted during his visit, he has had frequent talks with the top Soviet leadership and knows pretty well by now how President Leonid Brezhnev's mind works. But the Chancellor had never been to East Germany since he took office in 1974, and had only twice met Herr Honecker before on the fringes of international gatherings in Helsinki and Belgrade.

The absence of contacts at the highest level has, in Bonn's view, increased the dangers of miscalculation. It has meant a lack of political impetus to solve a host of bilateral problems—humanitarian, economic and technical.

In more than 15 hours of talks, each leader gained a better idea of the other's scope for manoeuvre, and there is said to have been an increase in mutual respect. Herr Honecker is due to come to West Germany next year to continue the dialogue.

In the interim, talks will begin on a long-term economic accord between the two states, and Bonn will be surprised if the East fails to make some move to improve conditions for West Germans who wish to visit friends and relatives across the border.

This is a long way from the euphoria at the start of the "Ostpolitik" era a decade ago, but there is at least a chance that this low-key dialogue will become a regular one because it is not overburdened with the highest expectations.

Herr Honecker: talked of nuclear catastrophe

When asked two months ago to assess the significance of a Honecker-Schmidt meeting, a close aide to the Chancellor said "the significance is that one German will be talking to another German. In this case that's a very unusual event."

Italian unions agree joint proposal to restrain inflation

BY JAMES BUXTON IN ROME

ITALY'S three trade union federations have, after eight months of often bitter disagreement, finally produced a joint proposal for restraining inflation.

The proposal is similar to that of the Communist Party—oriented CGIL federation, which was the last of the three to accept any question of tampering with the country's controversial wage indexation system, the *scala mobile* (sliding scale).

But its proposal was publicly rejected by Sig Giovanni Spadolini, the Prime Minister, when he went before the unions' conference last month.

The joint union proposal envisages a complicated system under which wage increases made under the *scala mobile* up to the government inflation rate target of 16 per cent for 1982 would not be subject to additional tax.

Employers would be assisted in paying the increases by means of the Government taking over from them the additional social security charge burden. The workers themselves would have to pay the higher social security charges for increases above the ceiling.

The *joint* proposal does therefore accept the Government's 16 per cent inflation rate target. But it would greatly add to the Government budget deficit which Sig. Spadolini is still determined to try to hold at L50,000bn, would be extremely complicated to administer, and appears to do little either to reduce labour costs or hold down inflation.

Yesterday Sig Spadolini met the leaders of the three federations to hear their proposals in detail. The Government may now make a counter-proposal of its own.

MAUROY VISITS THE LANGUEDOC

Whistle-stop tour in stronghold of Left

BY DAVID HOUSEGO

CARCASSONNE, 09.15: Arriving by special aircraft from Paris, M Pierre Mauroy, the Prime Minister, walks into the local labour exchange before the first job seekers have had time to arrive. He is on a tour of the Languedoc-Roussillon region in South West France—the sixth regional trip he has made in the last two months to promote job creation schemes and explain the Government's programme.

De Gaulle was the last senior Government official to have visited the medieval walled town of Carcassonne about 20 years ago. Its neglect since then reflects the fierce regional independence of the area and the often violent agitation of its winegrowers. But also Carcassonne, and the Aube department of which it is part, have voted solidly left since the war.

During his 15-minute visit to the employment office, M Mauroy announced that if the Government's job creation measures are implemented local unemployment *will* drop by 10-13 per cent in 1982.

CARCASSONNE, 10.20: The line of demonstrators waiting in the cobbled streets outside the town hall is smaller than officials had expected after last week's batch of angry farmers' demonstrations in other parts of the country. The placards say "Enough of Cresson" (the Minister of Agriculture) and "Bring in the 35-hour week." M Mauroy plunges in among them impatient for a "dialogue."

The complaints of the wine and vegetable growers of the region against cheap Mediterranean imports are the main theme of the Prime Minister's speech. He recalls with a grin "the warm, the burning" days of the Italian wine dispute in the summer.

NIMES, 1405: The mayor of this Socialist bastion warmly greets him in the faded green panelled chamber of the municipality describing the city as a "victim of the vicious reactionary policy" of recent years and hymning the Prime Minister's "*great battle against unemployment*."

M Mauroy explains why he is on tour. "It is to open a dialogue, to get agreement. It reflects a style of government."

He is now more than an hour late in his schedule.

NIMES, The Mirage Hotel, 15.04: The meeting with local business and union leaders and elected councillors is described on the programme as a "debate" over lunch. The chairman an eye on the clock, opens the floor to questioning before the scallops starter.

M Mauroy: more monologue than dialogue

The spokesman for the local employer's association asks the question that M Mauroy faces from businessmen everywhere. "There is a lack of confidence between industry and the Government and the two sides don't understand each other," he asserts. "What measures can you take to encourage confidence?"

It is an unusually low-key statement of employers' complaints and M Mauroy thanks him for his "courtesy." He answers at length but first makes it clear that the Government is concerned both with the confidence of industrialists and of the men who work on the shop floor. His speech lasts more than an hour and lunch ends at 5 pm.

MONTPELLIER, 18.15: A large crowd has packed the municipal hall. M Mauroy explains the basic figures of unemployment. Each year 750,000 school leavers are coming onto the labour market and *500,000 people retiring*.

For his third major speech of the day, the Prime Minister launches into the defence of the Government's new health policy.

MONTPELLIER, 23.45: After another speech a reception and a dinner, M Mauroy gets up to leave the table. There is no chance of his plane reaching Paris Orly airport before it shuts down. His staff speculate on whether the Prime Minister's office will have to pay the fine for late landing.

The Prime Minister shows some signs of flagging. Taken together his speeches have probably lasted over six hours. Was it worth it? His openness, his honesty, his determination to explain, cajole and convince, are all qualities that speak for themselves. But it has been more of a monologue than a dialogue.

ORLY, 01.45 Tuesday: Back home.

EEC grant to Portugal

BY DIANA SMITH IN LISBON

THE FIRST direct grant from the European Community to Portugal will be signed today in Brussels under the common action programme designed to financially boost Portugal's preparations for entry to the Community.

In Lisbon tomorrow the first European Investment Bank (EIB) loan under the programme will be signed.

In Brussels, this first 10m unit tranche of 125m units of account in direct grants will go to small and medium Portuguese businesses.

It is understood that wrangling among Community members was intense over which of 122 Portuguese projects should be assisted, especially since some involved the sensitive areas of textiles and competitive *agricultural* products.

In Lisbon, M Yves Leportz, president of the EIB, will sign a parallel loan for medium and small Portuguese businesses. This is the first part of a package of 250m units of account in loans at 3 per cent interest for a wide range of activities.

Swiss GNP 'may fall'

BY BRIJ KHINDARIA IN GENEVA

SWITZERLAND'S gross national product (GNP) should fall slightly in 1982 because of stagnation in most industrial sectors in spite of a small recovery in consumer spending.

Consumer spending should rise because of a 7 per cent nominal increase in wages and salaries which will take effect from January 1 next year, the Union Bank of Switzerland says in its latest economic bulletin.

"The rate of inflation will drop rapidly, but at over 5 per cent it will still be high in 1982 by Swiss standards," the bank says.

The decline in GNP may be halted or reversed if the Swiss franc weakens again after the trend to firmness in the second half of this year.

"But if the opposite occurs, heavier setbacks could be experienced," it adds. Foreign demand remains stagnant and much will depend on whether other industrialised nations experience economic recoveries in 1982.

Home demand should remain stable, but smaller order backlogs than at the start of this year are likely to cause production cuts compared with 1981 levels.

Insurance market block

BY GILES MERRITT IN BRUSSELS

BRITAIN'S highly competitive insurance industry is still to be denied full access to the rich EEC non-life insurance market, reckoned to be worth £30bn yearly, following a deadlock in the EEC Council of Ministers.

Finance Ministers meeting here yesterday were unable to make progress on a draft EEC directive that would open up Community insurance business.

It is 20 years this month since the Council of Minsters first moved towards the liberalisation of financial services inside the EEC, and more than a year since the UK mounted a determined assault to force through the insurance directive, but the move has once again been blocked by West German opposition.

U.S. Congress tries to speed passage of spending Bills

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. CONGRESS was yesterday working flat out to push through a series of major spending Bills before the Christmas recess, which most members want to start today.

After months of debate and wrangling, the House and Senate on Monday compromised on a record \$200bn (£107bn) defence appropriations budget for 1982, the largest single spending Bill in U.S. history.

Work was also in progress on a *\$11.4bn two-year foreign aid* authoritsations Bill, the first in three years, and a measure giving President Ronald Reagan emergency powers over oil supplies in the event of a disruption of U.S. imports.

Mr Reagan has said he does not want such powers, prefer*ing to leave the market to cope* with shortages.

After a long stalemate, House and Senate agreed a compromise preserving the \$122 a month minimum Social Security benefit for the 3m people receiving it, and authorised three social security trust funds to borrow *from each other until the end of* next year, in the hope of staving off the financial crisis threatening the system.

A \$10.1bn transport appropriations Bill went through the House on Monday. By yesterday, the only major outstanding legislation still in trouble was the controver*sial \$11bn farm* Bill, disliked by both farmers and consumers.

The \$200bn defence Bill, about \$30bn more than last year's, was a compromise between the \$197.4bn proposed by the House and the Senate's \$208.7bn. It fell just a few hundred million dollars short of the \$200.9bn Mr Reagan originally sought.

The agreed version provides more than \$4bn for Mr Reagan's two key new strategic weapons, the MX missile and the B-1 bomber, plus funds for research on the bomber of the future, the *ultra-modern, radar-evading* Stealth.

The Senate's original figure was higher than the House version largely because the Senate added \$4.8bn for military pay increases and \$1.6bn to cover inflation and cost overruns. Senate negotiators agreed *to drop these two items, but* Republican Senators said they still expected the final spending figure to be higher as a result of added costs for the new weapons systems.

Mr Reagan failed to get his way in the House-Senate negotiations on the foreign aid Bill, *when both sides insisted* that human rights conditions must remain in force on aid to El Salvador. The negotiators agree, however to Administration requests to repeal restrictions on aid to Argentina and Chile.

● President Reagan is to give his State of the Union address to a *joint session of Congress* on January 26, it was announced yesterday. Congress reconvenes on January 25.

Italian faces charge on St Joe deal

By Paul Betts in New York

THE U.S. Securities and Exchange Commission has filed a detailed complaint against a well-known Italian businessman, alleging he improperly traded in St Joe Minerals stock and options with insider knowledge that Seagram of Canada was going to make a takeover bid for the U.S. mining and metals concern.

The SEC is charging that Sig Giuseppe Tome, the Italian businessman, learned of Seagram's proposed bid directly from Mr Edgar Bronfman, chairman of the Canadian drinks group.

Although Seagram failed in its \$2bn (£1.07bn) bid for St Joe, the mining company's stock rose sharply following Seagram's hostile takeover attempt. According to the SEC, Sig Tome made a profit *of about \$2m from purchases* of St Joe stock and options.

Sig Tome, the SEC alleges, often advised Mr Bronfman on personal investment and other financial matters. The SEC claims he learned from Mr Bronfman that Seagram was planning to make a *tender offer for St Joe on* March 11.

But the SEC did not charge Mr Bronfman with any improper conduct. It said: "It was expected that all such information imparted to Tome by Seagram and its officials would be treated as *confidential* and would not be used for personal benefit or gain.

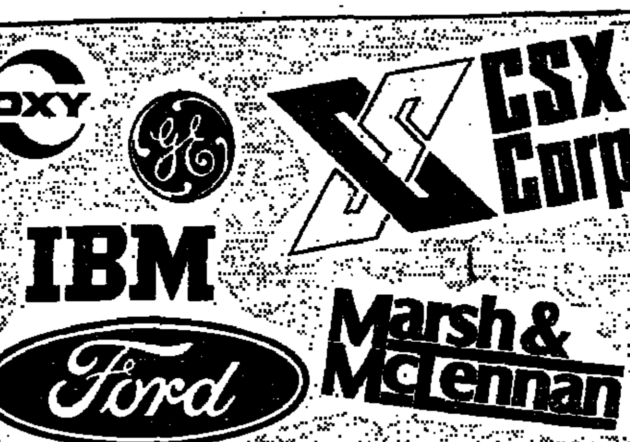
Sig Tome's alleged profits from the transaction have been frozen since the SEC launched its investigation in insider trading in St Joe stock and options last spring.

REAGAN RECOVERY PLAN

House hearings start on 'give-away' tax break

BY DAVID LASCELLES IN NEW YORK

President Reagan's business tax provisions, aimed at encouraging investment in new equipment, have spawned a rapidly growing market in the trading of tax credits between companies, a practice which has led to predictions of a potentially huge loss to the U.S. Treasury.



A KEY business tax provision of the Reagan economic recovery plan, which *allows* companies to trade tax credits among themselves, is coming under fire as an over-generous give-away. But the curious aspect of the mounting controversy is that the Administration may actually welcome it as an excuse to go back on a tax cut to help balance its increasingly lop-sided budget.

After a spate of complaints from the public and politicians, the Oversight Sub-Committee of the House Ways and Means Committee began hearings on the matter yesterday.

A Bill repealing the tax was also introduced into the Senate two weeks ago, and Senator Howard Baker, the Senate majority leader, has said he would not be surprised if the law was tightened up for the 1983 tax year.

The tax break is built round a special lease which enables a company to "sell" the tax credits associated with owning a piece of equipment—for example depreciation — to another company. The arrangement usually marries up a loss-making company which cannot use these credits with a profitable one that wants to reduce its taxable income.

In a typical deal, loss-making Company A buys a piece of equipment worth \$1m and sells it to profit-making Company B. Company A then leases the equipment back. Although sums of money are involved, they are fictitious because the "rent" that Company A pays Company B to lease the equipment is set at a level which exactly equals what Company B owes Company A for the purchase. Furthermore, the tax law was written in such a way that Company A retains legal title to the piece of equipment, so the "sale" exists for tax purposes only.

As a result of the deal, Company A receives, as a book-keeping entry, the "proceeds" of the sale in return for some tax credits it could not use anyway. Company B receives the tax credits to reduce its taxable income.

The value of these deals varies between 30 and 50 cents on the dollar of equipment being traded, which means that Company A "loans" Company B the difference to buy it. This gives Company B the extra benefit of an interest expense on this loan to set against income.

Leasing is not new, of course. But the Reagan tax act made it much more attractive by speeding up depreciation, meaning that more of the investment cost of new equipment can be written off each year, and by loosening the definition of leasing to permit fictitious deals.

The aim of the Reagan plan is to encourage investment in new equipment, and to make it easier for new companies who have few profits against which to set tax credits, to derive the full tax advantage of buying new equipment. A side effect of the change also allows companies to sell off tax credits to make themselves less vulnerable to takeover.

The company response to the new opportunity has been tremendous. More than \$12bn and possibly as much as \$15bn-worth of deals have been done to qualify for this year's tax return. Most have been in capital-intensive industries, such as car manufacture, railroads and airlines which need to buy new equipment but are in a profit squeeze because of the state of the economy.

IBM, the giant computer maker which had pre-tax profits of \$5.9bn last year, has been among the biggest tax credit buyers, taking \$100m-200m off Ford, the loss-making car company. So has General Electric's finance subsidiary, GE Credit Corporation, and Marsh and McLennan, the largest insurance broker in the U.S.

But tax credit sellers are not all loss-makers. Some, like CSX, a large railroad company, and Occidental Petroleum earn huge sums of money but find for various reasons that they have more tax credits than they can use.

The other side of the ledger of these deals, however, is the cost to the U.S. Treasury in terms of foregone revenue—billions of dollars worth of tax credits that would have been wasted, at a time when the Reagan Administration is fighting to close a budget gap that seems to grow almost by the hour.

Furthermore, the potential for more tax lease deals remains huge. Morgan Guaranty, the large New York bank which has just completed a study of tax leasing, says that in 1975, for which the latest figures are available, there were \$6.2bn of unused credits. It reports industry officials as saying the recent *bulge in leasing volume* may be "the tip of the iceberg."

While recognising the benefits of tax leasing, Morgan also points out that the Treasury estimates the practice will produce revenue losses of \$3bn next year rising to \$8bn in 1984, and adds: "If the leasing boom continues, as most industry analysts expect, the Treasury runs the risk of seriously understating the potential for revenue loss."

Some people believe the actual tax loss could amount to twice the Treasury's estimates—which is why concern about the problem is building up. The Treasury even rewrote the rules slightly to enable ailing concerns like Chrysler and International Harvester to get in on the act.

On Wall Street, the biggest worry is that tax leasing could increase the Federal deficit and place an even greater Treasury borrowing burden on the badly strained capital markets.

Volcker in White House talks on budget deficits

WASHINGTON — President Ronald Reagan and Mr Paul Volcker, Federal Reserve Board chairman, agreed at the White House that the Government must reduce the potentially large budget deficits foreseen for fiscal years 1983 and 1984.

"There was no pressure put on Mr Volcker" to alter the central bank's anti-inflationary monetary policy, one official said who attended the meeting on Monday night. The official called the session "a fairly routine type of meeting" held to review the economic outlook, the Fed's monetary policy and the Reagan Administration's budget deliberations.

In addition, the President and Mr Volcker held "a general discussion" about the membership of the Reserve Board, the official said. Mr Reagan is to make his first appointment to the Board to fill the seat that becomes vacant when the term of Mr Frederick Schultz, the vice-chairman, expires on January 31.

Both the White House and Republican Congressional leaders regard the appointment as an important opportunity to influence the independent central bank, a frequent target of political criticism because of the high interest rates its tight-money policies have produced.

The new vice-chairman could succeed Mr Volcker when his term expires on August 1, 1983. The White House is reportedly looking at a list of candidates that includes Mr Robert Dockson, chairman of California Federal Savings and Loan Association, and Mr Martin Anderson, Mr Reagan's domestic policy adviser. AP-DJ

Call for faster gas decontrol

WASHINGTON — The chairman of President Reagan's Council of Economic Advisers called on Monday for faster decontrol of natural gas prices, coupled with a new tax apparently aimed directely at consumers.

Mr Murray Weidenbaum declined to say exactly what kind of tax he had in mind, but he appeared to rule out a "windfall profits" tax on increased production, such as that enacted when oil prices were decontrolled during the Carter Administration.

Mr Reagan has said repeatedly he would veto a windfall tax on natural gas, although *he wants to de*control prices from January, 1983.

AP-DJ

Perez de Cuellar formally appointed as UN leader

BY OUR UNITED NATIONS CORRESPONDENT

Dr Javier Perez de Cuellar of Peru was formally appointed by acclamation as the fifth Secretary-General of the United Nations yesterday. He immediately promised to pursue an active political role in the office that he will assume on January 1.

He succeeds Dr Kurt Waldheim of Austria, who was appointed in 1971 and re-appointed in 1976.

Dr Perez de Cuellar, who will be 62 on January 19, will be the first administrative head of the UN who has served as delegate and member of the Secretariat. He was an aide to Dr Waldheim, with under-secretary general's rank, until last May, when he rejoined the Peruvian foreign service.

Ironically, he was rejected last September by the Peruvian Senate after the Government nominated him to become Ambassador to Brazil. He was proposed as a candidate for Secretary-General on October 28, a day after the first round of Security Council balloting established that Dr Waldheim's prospects were damaged. But he allowed his name to go forward only after the official Third World candidate, Mr Salim of Tanzania, withdrew from the contest last week.

A former chairman of the Group of 77 countries, Dr Perez de Cuellar emphasised yesterday the efforts under way to get global negotiations on North-South economic questions going again under the UN's purview.

New Donovan investigation expected soon

By Our U.S. Editor in Washington

A SPECIAL prosecutor will soon be appointed to investigate allegations of improper conduct *against Mr Raymond Donovan*, the U.S. Secretary of Labour, it was reported in Washington yesterday.

CBS Television said that the question was not if, but when the prosecutor would be appointed.

Mr Donovan, cleared in earlier investigations into his conduct as head of a New Jersey construction company, now faces fresh allegations of dubious dealings with organised labour.

A review is also still under way to see if a special prosecutor is needed to investigate the dealings of Mr Richard Allen, President Reagan's embattled National Security Adviser.

Ontario's mortgaged farmers set for clash

BY VICTOR MACKIE IN OTTAWA

THE FARMERS of Ontario, embattled in their heavily mortgaged fifth-generation homes, *are plotting their survival in an* era of high interest rates which has brought bankers like wolves to their door.

Up in arms last week, 250 of them converged on the Port Elgin Canadian Imperial Bank of Commerce demanding that the local manager return machinery and cattle seized from a farmer when he defaulted on mortgage payments.

The manager did. And, flushed with that small success, the militants—members of new movements such as the Grey-Bruce Survival Association—are ready to turn their grassroots protest into a full-scale psychological war on the nation's chartered banks.

It is a guerrilla war they believe they can win. The farmers have the banks so worried, they are resorting to guerrilla tactics of their own.

Last week, at least two banks hired helicopters to carry out low-level sorties over the beef and pork farms in the counties east of Lake Huron. Their goal was evidence that farm machinery had been spirited away from farms going broke to the safety of those yet to face that situation.

Farm bankruptcies in Canada are up 28 per cent over last year. Of the 258 registered between January and November, 54 per cent were in Ontario. Most were livestock producers from western Ontario.

Banks hesitant over Alaska gas pipeline

By Paul Betts in New York

"WITHOUT THE new legislation, the pipeline was dead. But this does not mean the thing will be built—at least in the immediate future," one New York banker said this week of the multi-billion dollar 4,800-mile-long Alaska natural gas pipeline system billed as the largest private construction project in history.

The banker was referring to a controversial new Bill approved by Congress last week designed to help the private financing of the proposed pipeline. The entire project will cost between $40bn to $55bn (compared to 1977 price tag of $14.6bn) of which some $37bn is to be put up by the banking system. "We are talking big numbers," the banker added. "The new legislation removes some of the obstacles but falls short of giving the project the green light."

The new legislation was approved after some of the most bitter and heated debate witnessed in recent months on Capitol Hill. Indeed, so acrimonious was the debate that opponents of the new Alaskan pipeline Bill forced a second vote on the issue barely 24 hours after the House of Representatives had approved the legislation. And even after the second vote, consumer activists led by Mr Ralph Nader and several Congressmen were denouncing the Bill as "one big consumer rip-off."

The new Bill waives a number of restrictions in the so-called Alaska Natural Gas Transportation Act of 1976 which set the original guidelines for building a pipeline which would carry the vast natural gas reserves of Alaska's Prudhoe Bay estimated at 26 trillion (million million) cubic feet (or about 13 per cent of known U.S. gas resources) to the lower 48 states. The main provisions in the Act precluded federal government or consumer subsidies to finance construction of the project and restricted the oil companies from owning a direct equity interest in the pipeline. These provisions have now been lifted.

The new legislation now allows the three principal Alaskan gas producers—Exxon, Atlantic Richfield and Standard Oil of Ohio—to own up to 30 per cent of the Alaskan segment of the pipeline, the most crucial and expensive leg of the entire project. This 745-mile-long segment from Prudhoe Bay to the Yukon border will cost as much as $27bn. In return for a large equity stake, the oil companies will put up about $7bn of their own money as well as contribute to a cost overrun pool.

The changes in the Bill also allow the sponsors of the pipeline, a consortium led by Northwest Energy Company, a natural gas transmission concern based in Salt Lake City, to pass on to the U.S. consumer some of the construction costs of both the pipeline and a $4bn conditioning plant to treat the gas for transmission before the system is completed.

Under the original legislation, the sponsors of the project could only recover their costs after the entire project was completed and came on stream. The new Bill now enables the sponsors to pre-bill U.S. gas consumers under certain circumstances. The Federal Energy Regulatory Commission will determine a completion date for various sections of the pipeline system. When any of these sections are finished and provided the target date has passed, U.S. consumers would start to be billed on the completed part of the pipeline although no gas is as yet flowing. Moreover, the consumer would ultimately carry the project's completion risk and would face the financial burden of paying a large part of the costs should the project be scrapped in midstream.

It is small wonder that consumer lobbies are up in arms. Barely three months ago, President Ronald Reagan assured consumer groups he was opposed to federal aid and consumer support for the Alaskan pipeline. But after one of the biggest and most successful lobbying campaigns in Washington, the sponsors of the project changed the President's mind and managed to get the new legislation through Congress. Indeed, it was only at the last minute that opponents of the new Bill woke up and then it was apparently too late.

Had Congress not approved the latest changes in the Act, the Alaskan gas pipeline was doomed. Although the sponsors of the project originally pledged to finance the project privately, in the last year they have claimed it could not be built without consumer support and exemptions from certain federal regulations.

Back in 1977 when the project was first approved, the consortium of pipeline companies had indicated they would only commit funds to the project if they owned a direct stake in it. At the same time, because of the enormous project risks involved in the Alaskan strech of the pipeline, the banks have been extremely reluctant to jump in with the $37bn or so required to finance construction over a four-year period.

The economics of gas have changed since the project was first conceived. Alaskan gas will be extremely expensive—perhaps as much as three times the current price of domestic U.S. gas. In 1977, the conventional wisdom and the trend in oil and gas prices was that they would continue to rise. But energy prices have now shown they can also come down and the general consensus is that they they will remain relatively flat for the next two to five years. All this has fuelled growing doubts on the short-term economics of Alaskan gas, which could be further complicated if President Reagan sticks to his word and eventually decontrols domestic gas prices in the U.S.

It is thus not surprising that consumers are now upset. U.S. gas currently costs an average of just less than $5 a thousand cubic feet. Alaskan gas, in today's dollars, is estimated to cost between $11 to $15 a thousand cubic feet. In 1987 dollars—the date when Alaskan gas under the present timetable is scheduled to start flowing in the pipeline—it would cost between $18 and $22.

> It was only at the last minute that opponents of the new Bill woke up and then it was apparently too late

At these prices, opponents of the pipeline claim, it is cheaper to burn oil. But what they fear most are the costs they would have to shoulder should the pipeline be scrapped once construction on the key Alaskan leg starts. The estimates range from $1.78 to $12 or more a month on the average gas bill. Industrial and commercial users would have to pay more.

Although construction has now begun and in some cases is well advanced on the Canadian, western U.S. and eastern U.S. legs of the pipeline, the project ultimately depends on the $27bn Alaskan sections if it is to make any sense for the U.S. In contrast, the Canadians, who have helped finance a large slice of the lower stretches, would be quite happy if the Alaskan section was never completed. The pipeline would then become a perfect instrument to transmit to the U.S. market their own gas from Alberta and the Beaufort Sea. Already, excess Canadian gas is scheduled to be transmitted through the lower ends of the pipeline until the Alaskan segment is completed.

With the passage of the new Bill, Mr John McMillian, chairman of Northwest Energy Company, says the way has been cleared for construction of the pipeline.

The question is how easy will it be to put together a financing plan. The banks so far are adopting a non-committal approach. They acknowledge the legislation has given the project an important and badly needed boost. But in private they seem generally sceptical on the project's short-term prospects.

Barring any future legal upset, the oil companies themselves seem less than anxious to commit their funds to the project at this stage. The economics of oil and gas at present are such that many oil companies are reconsidering capital expenditure programmes. And unless the three Alaskan gas producers do come up with their share of the funds, it is unlikely the consortium can raise the huge debt required by the project from the banking system.

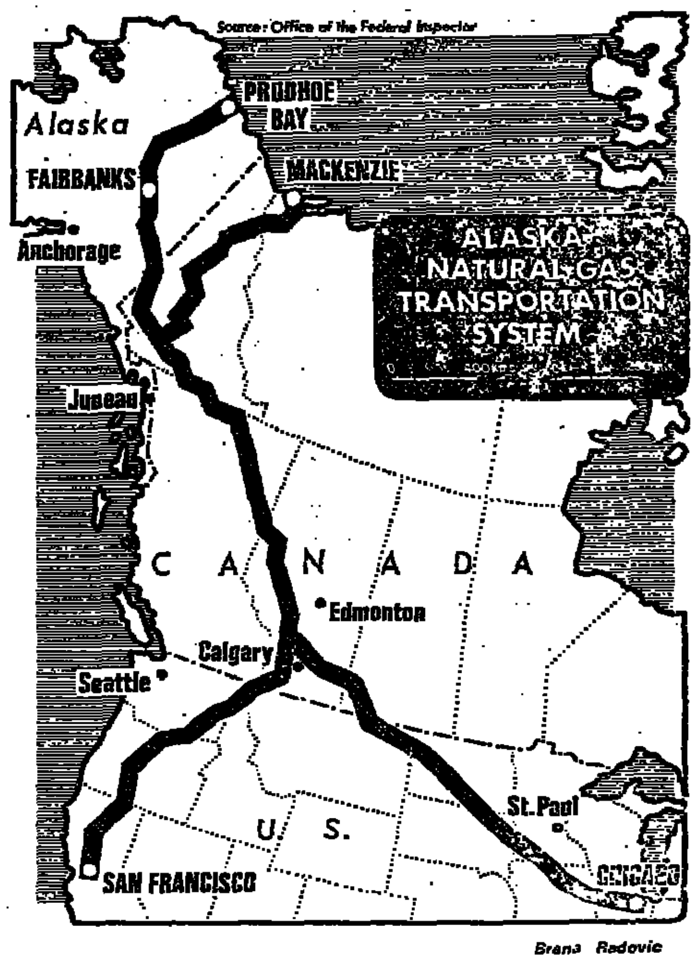
Some bankers also feel the new legislation does not go far enough. Although they will not say so outright, they hint that federal government loan guarantees might be necessary to swing the deal. But this, at least at this stage, would be tantamount to blasphemy in administration circles.

Bankers agree, however, that under the right terms, it is unlikely that any major bank, especially those with large energy lending operations, would want to be left out from the financing of the project. "There is after all the old problem of prestige," one banker remarked. But the same banker said it would probably take at least six to nine months before serious negotiations over major debt arrangements begin.

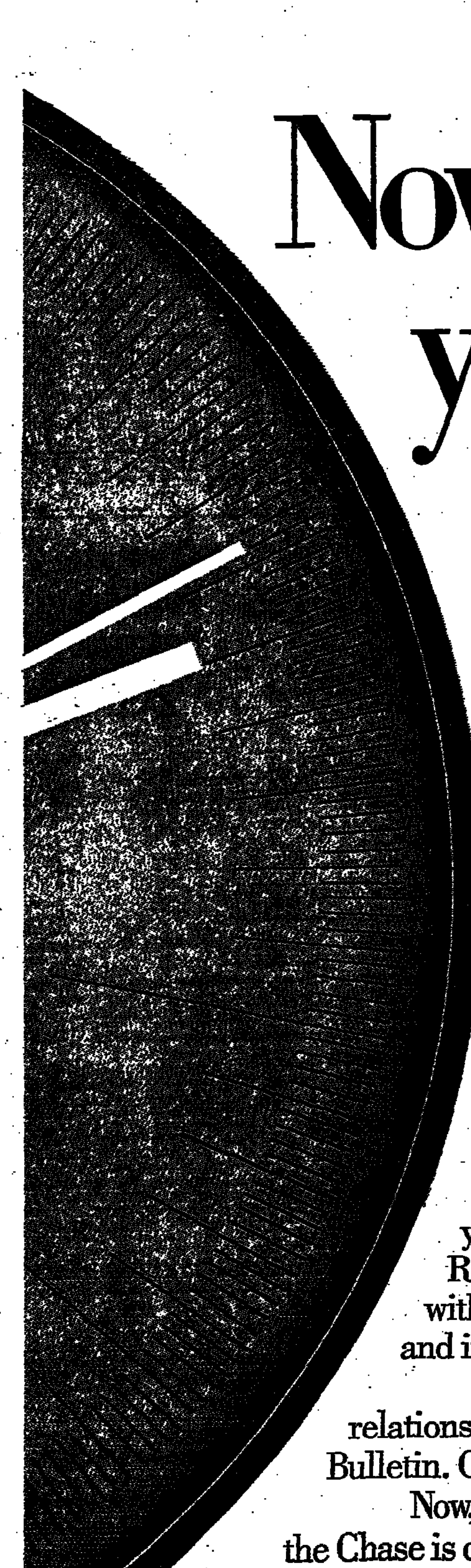
While short- to medium-term economics appear to be arguing against the project, the longer term appraisal seems to argue strongly in favour. Indeed, what appears to have swung both the Reagan administration and the majority in Congress in favour of the pipeline sponsors are the longer term implications of the ambitious and costly project.

The pipeline, as the sponsors of the project emphasise, will give the lower 48 states access to the country's largest proven reserve of natural gas. "The 26 trillion (million million) cubic feet of gas already known to exist in Prudhoe Bay represents more than 13 per cent of America's known supplies. Further, Alaska has a potential of between 100 trillion and 200 trillion cubic feet of additional gas reserves," Mr McMillian says. The pipeline is projected to have an initial capacity of 2bn cubic feet of gas per day, or enough energy to displace about 400,000 barrels of imported oil a day for the next 25 to 30 years.

"Although right now the economics of Alaskan gas do not make sense, who is to say they won't in ten years time. In the end you could call it a moral question. If a country has all that gas safely sitting there, shouldn't it exploit it or at any rate set the infrastructure in place to exploit it when it becomes necessary," one analyst remarked.



Brana Radovic



Beirut bomb kills 20 at Iraq embassy

By Ihsan Hijazi in Beirut

AN EXPLOSION virtually destroyed the Iraqi embassy in Moslem west Beirut yesterday, killing at least 20 people and wounding 80.

The four-storey building collapsed as the entire area was cordoned off by Syrian troops of the Arab Deterrent Force. Rescue teams were working to remove casualties from under the debris.

The explosion follows last week's car-bomb blast in the northern port of Tripoli in which 12 died.

Friction between pro-Iraqi elements and followers of Iranian religious leader Ayatollah Khomeini has been associated with the wave of violence, which has picked up momentum as the war between Iraq and Iran has gained intensity.

Mary Frings adds from Bahrain: Prince Nayef bin Abdul Aziz the Saudi Interior Minister, is due in Bahrain on Saturday following the capture in Bahrain of a group of Iranian-backed terrorists.

Prince Nayef said on Monday he had evidence that Saudi Arabia was one of the targets of an Iranian plot to kill government leaders in the Gulf. Messages condemning Iranian attempts to export its revolution, and expressing full support for Bahrain's action, were also sent yesterday from Kuwait and the United Arab Emirates.

Meanwhile, an official news release in Bahrain said five armed men representing the *Organisation of Islamic Action* had forced their way into the Bahrain embassy in Tehran on Monday.

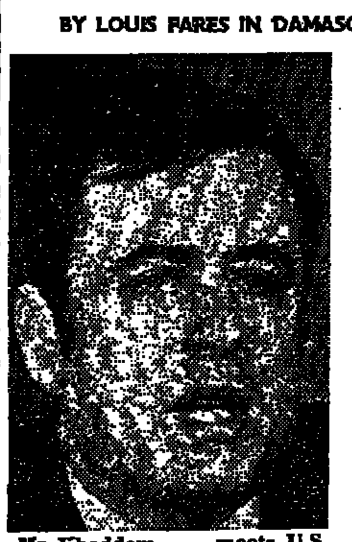
A Foreign Ministry spokesman confired that the Iranians insisted on seeing the charge d'affaires, Ibrahim al Majid, to demand the release of the arrested men, and to claim responsibility for training them to carry out assassinations.

The Oranisation of Islamic Action is an Iranian group expelled from Iraq at the beginning of the Gulf war, according to the Iranian embassy in Bahrain.

Reuter adds from Kuwait: Kuwait's Parliament approved a $2bn loan to Iraq to repair damage caused in its war with Iran, parliamentary officials said.

Syria pledges to confront 'flagrant aggression'

BY LOUIS FARES IN DAMASCUS



Mr Khaddam . . . meets U.S. envoy to Syria

LT-GEN MUSTAPHA TLASS, Syria's Defence Minister, said yesterday that his country's reaction to Israel's annexation of the Golan Heights would be "the edge of the sword."

"What the Israeli enemy has done is flagrant aggression," he told graduates at a military academy. "This is supported by the U.S., which provides Israel with its strength. But we shall confront this aggression. The U.S. does not frighten us, nor does Israel."

The Syrian news agency Sana reported that a special session of Parliament had been called *last night* to discuss the Israeli move, "bearing in mind that Syria considers the decision a declaration of war and a *cancellation of the ceasefire*."

● Left: Mr Abdel Khaddam, Syrian Foreign Minister

Syria has intensified its diplomatic and political contacts with Arab and Western countries. Mr Abdel Halim Khaddam, the Foreign Minister, yesterday received the U.S. ambassador to discuss Washington's reaction to the annexation.

The Foreign Minister was also in contact with the Non-Aligned Movement, the Organisation of African Unity and the Islamic Conference.

Meanwhile the Syrian Government newspaper, the daily "Tishrin," accused "certain Arabs" of having encouraged "the Zionist enemy" to annex the Golan Heights.

"If the Kings, Presidents and Princes had adopted a *strong stand vis à vis the* enemy, Israel would have never been able to exercise the law of the jungle, and unsurp the Golan Heights," it said.

Ihsan Hijazi writes from Beirut: Analysts here believe that the Syrians are now bound to formulate a new policy to deal with the situation.

Damascus has until now adhered to the ceasefire worked out with Israel through the U.S. in 1974 under the disengagement agreement on the Golan Heights. The accord followed a *Syrian* "*war of* attrition" lasting two months.

It is possible that the Syrians, while regrouping their troops and military strength, might now allow Palestinian guer*rillas to operate against* Israel from the Syrian side of the Heights.

There is also concern here that Syrian-Israeli tension would lead to a breakdown of the truce on the Lebanese-Israeli border.

Arab diplomats noted that by annexing the Golan Heights Israel was serving notice that when it withdraws from Sinai next April, it will not give up any other part of occupied Arab land.

Mr Chedli Klibi, Secretary General of the Arab League, said Israel's action was "yet another provocative measure against the Arab countries as a whole, and a grave violation *of international* law, the Geneva conventions, and the United Nations resolutions.

"This act of aggression exposes Israel's intentions to force the region to the brink of war, and destroy any possibility, no matter how slight, of bringing peace to the Middle East," he said.

Reuter adds from Moscow: The Soviet Government daily Izvestia yesterday branded the annexation as an act of "impudent illegality." "The situation in the Middle East has been seriously aggravated once again, and the blame lies in Tel Aviv and Washington," Izvestia said.

How the opposing armies line up on the Golan Heights

BY ROGER MATTHEWS

ISRAEL'S annexation of the Golan Heights on Monday was undertaken in the complete confidence that its decision could not be effectivelly challenged *militarily* by Syria or any other Arab country.

So overwhelming is Israel's present military superiority that Mr Menahem Begin, the Prime Minister, must also be sorely tempted to abandon the largely meaningless negotiations with Egypt on Palestinian autonomy and apply the same treatment to the West Bank, which he believes even more passionately to be part of the Biblical land of Israel.

The parallel temptation would be to draw the Syrians and the Palestinian guerrilla forces into a limited war. Hawks within the Israeli cabinet and armed forces can fairly argue that conditions have never been more favourable for dealing a massive blow at Israel's two most implacable enemies.

The Syrians are actuely vulnerable. President Hafez al-Assad has four main divisions at his disposal, two of mechanised infantry and two armoured, each numbering between 15,000 and 17,000 men. Two divisions are permanently deployed between the Golan and Damascus with the first strong defensive line only some 25 miles from the capital.

A third division is held in reserve north of Damascus, while the fourth, commanded by the President's brother, Rifaat al-Assad, is charged primarily with internal security.

The peacetime deployment of the divisions to the south and south west of Damascus is essentially the same as their battle positions and they have no space in which to manoeuvre without putting the capital at immediate risk. There are understood to be three principal lines of defence in accordance with an overall plan drawn up in conjunction with the estimated 4,000 Soviet military advisers in Syria.

Although the Soviet Union substantially re-equipped the Syrians after the 1973 war there has been relatively little qualitative improvement during the past three years. Syria's most important acquisition has been an estimated 500 T-72 tanks which are thought to be more than a match for the American M-60. The T-72s have been assigned to Rifaat al-Assad's command.

The airforce has benefited from the arrival of MiG 25 fighters, but the backbone remains the MiG 21 which, as has been repeatedly shown, is no match for Israel's F-15s and F-16s. Syria's missile defences are basically the familiar mix of Soviet equipment, against which the Israelis are thought to have developed a number of effective counter measures.

There are also some 25,000 Syrian troops at any one time stationed in Lebanon as the sole component of the Arab Deterrent Force. The Syrian presence in Lebanon is not at full divisional strength and must be the most immediately at risk in the event of limited hostilities.

The ceasefire in the south of Lebanon has held since last summer but in the wake of the Golan annexation will be tested further. Israel is still determined to remove the Syrian missiles which were placed in the Bekaa Valley last April and any attempt by Palestinian guerrillas to fire rockets at northern Israeli settlements could provide the justification, if Mr Begin is looking for one.

The Palestinians, who in the past year have re-organised their forces along semi-conventional army lines and received heavier equipment, are deployed primarily to the north and south of the Litani River. When the Israelis invaded the south of Lebanon in March 1978, they failed to push the Palestinians back out of rocket range of northern Israel and, although UN troops now form a buffer zone, their presence would not prevent an Israeli invasion.

It would also be militarily feasible for Israeli forces to move up to the Litani River and a few miles beyond without coming into direct contact with the Syrians.

To all these military constraints, President Assad must add significant political difficulties. Domestically, he faces a persistent, if containable, challenge from extremist Moslems and externally, he has few firm friends within the Arab world. Syria is still at loggerheads with Iraq, which is anyway totally preoccupied by its war with Iran. Libya, with whom Syria was supposed to be merging, is being pressed by the U.S.

The one reassurance for Mr Assad is his treaty with the Soviet Union. Mr Begin showed on Monday how readily he is prepared to act in apparent defiance of American wishes, but Washington surely cannot welcome the danger of more direct confrontation with Moscow which might become inevitable if fighting broke out.

Equally, the Soviet Union is likely to be urging restraint on Mr Assad, if such advice is necessary. For the Syrian leader there appears little option but to respond with words to the formal loss of the Golan Heights while seeking to extract the maximum diplomatic and financial recompense from his wealthier Arab brothers.

EEC 'strongly deplores' Israeli action

BY JOHN WYLES IN BRUSSELS

European Community Foreign Ministers yesterday strongly deplored the Israeli Government's annexation of the Golan Heights, which they said breached international law and was "therefore invalid in our eyes."

Their statement, agreed over an informal dinner at Admiralty House on Monday evening and released yesterday, asserted that the Israeli move would prejudice the implication of United Nations resolution 242 and was bound "to complicate further the search for a comprehensive peace settlement in the Midle East."

Jerusalem's annexation of the Syrian territory is a particular embarrassment for French diplomacy, which has been attempting to inject a more "even-handed approach" to the Community's efforts to encourage a comprehensive Middle East peace settlement.

Lord Carrington, the British Foreign Secretary, and several of his EEC colleagues have denied that the Community's diplomacy has been unbalanced. The latest move on the Golan is seen is several EEC capitals as merely the latest demonstration of the Begin Government's intransigence and of its disregard both for Arab opinion and for any other approach to peace which is not based on the Israeli-Egyptian Camp David accords.

M Claude Cheysson, the French Minister for External Relations, admitted to journalists that the annexation of the Golan Heights was "astounding and extremely annoying." It comes only a week after his visit to Jerusalem during which he sparked a diplomatic furore by appearing to denigrate the EEC's Middle East diplomacy. M Cheysson subsequently denied that he was doing any such thing.

M Cheysson . . . 'astounded'

Malaysia to play down relations with Britain

KUALA LUMPUR — Malaysia will continue to de-emphasize relations with Britain, while attempting to emulate the work ethic of Japanese and South Koreans, Prime Minister Dr Mohammed Mahathir said yesterday.

Dr Mahathir was meeting 45 Malaysian diplomats who head foreign missions.

In its priorities with international groups, Malaysia would place the Commonwealth last and the Association of South-east Asian Nations (Asean), comprising Malaysia, Thailand, Indonesia, the Philippines and Singapore, first, followed by the Islamic Conference.

Dr Mahathir said the Commonwealth had so far been more talk than action. Malaysian officials said that that was one reason he did not attend the Commonwealth summit in Melbourne two months ago.

Since Malaysia obtained independence from Britain in 1957 is has given the country a preferential position in its relations with foreign nations. But Dr Mahathir, who became Prime Minister in July, revised that policy two months ago when he required his office to give special approval to all Government contracts for British services and goods.

Malaysian officials said the change was in retaliation for Britain's decision to raise fees for the 20,000 Malaysian students studying in Britain, and for other British actions—including changed rules on the Stock Exchange.

British businessmen working in Malaysia on Monday gave M$1.5m (£348,000) to a Government-administered trust fund aimed at helping these students.

The Foreign Minister, Mr Ghazali Shafie said on Monday however, that Britain could not impress Malaysia by "offering this or that." A change in attitude was required. AP

S. African whites join black union

FIVE white workers at Volkswagen's South African subsidiary at Uitenhage in the Eastern Cape have resigned from a right-wing, whites-only trade union to join a predominantly black union affiliated to the multiracial Federation of South African Trade Unions (Fosatu), Bernard Simon writes from Johannesburg.

FIXED RATE EXPORT FINANCE

UK spends more to support project business

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE UK Government paid out £461m during the year to last March in interest rate support for fixed-rate sterling and foreign currency export finance, bringing total expenditure on such support to over £1bn in the last three financial years.

The support is channelled from the Treasury through ECGD to banks providing export finance. It is used to bridge the gap between the interest rate cost to the borrower, settled under international guidelines, and the market cost of the funds.

The level of support is likely to be maintained at much the same level during the current financial year, Mr Kenneth Taylor, the Secretary of the Export Credits Guarantee Department (ECGD), said yesterday.

The high level of expenditure has been left virtually untouched by the Government in its search for economies. The only move made so far has been a suggestion by the Treasury to the banks to cut down the margin of 1.25 per cent over the London Interbank Offered Rate (Libor) to 0.75 per cent.

ECGD is handling discussions with the banks on the issue. But the savings from such a move would only gradually mount to about £10m a year. The margin cut would in any case only apply to sterling export finance on terms of over two years.

The latest ECGD figures, published yesterday, show that sterling fixed rate export financing accounts for 71 per cent of the total, which in the year to last March climbed to a total of £6.09bn, or 11.6 per cent more than in 1979-80.

The finance is used mainly to back capital plant exports to developing countries. Support for this finance has become an important tool in the Government's bag of export support for industry.

The Government has recently been laying stress on the significance of this range of support, noting that the fruits of the co-operation between industry and Government have been seen recently in the number of big orders secured.

Such orders have included the Davy Corporation's £1.25bn contract for a steelworks in India and the £160m deal won by Capital Plant International, a Mitchell Cotts unit, to establish technical institutions in Nigeria.

Mr John Biffen, the Trade Secretary, said yesterday that the orders were coming through in the field of sophisticated heavy engineering and were a rebuff to the idea of the "de-industrialisation" of the UK.

In the last financial year, the ECGD provided cover for £3.3bn of fixed rate export finance, but this still remains a relatively small portion of its business, most of which remains linked to exports sold on credit of up to six months.

Such business accounted for 76 per cent of the total of £17bn worth of exports insured, a sum equivalent to 30.8 per cent of the UK's visible trade during the period.

Yet the longer term business remains the riskier part of the ECGD operation. The length of time for which the ECGD is exposed, and the nature of the countries attracting capital exports, mostly outside the OECD area, enlarge the possibility of claims from exporters.

ECGD BUSINESS DECLARED BY AREAS

	1979 £m	1979 %	1980 £m	1980 %
Developed:				
EC	3,726	29.5	3,995	27.0
Rest of Western Europe	2,148	16.9	2,511	17.0
North America	1,152	9.1	1,238	8.4
Others	877	6.9	1,147	7.7
Developing:				
Oil-exporting countries	1,911	15.1	2,505	16.9
Others	2,226	17.6	2,745	18.5
Centrally planned economies	614	4.9	669	4.5
Total	12,654	100	14,810	100

Source: ECGD

Hyundai wins Iraqi housing contract

By Ann Charters in Seoul

HYUNDAI Construction and Engineering of Seoul, signed an $800m (£421m) contract with the Iraqi Ministry of Housing yesterday to build two identical housing projects of 2,800 units each.

The project is to include apartments, houses, schools and is to be built on a turnkey basis to a Hyundai design in Samarra, 150 km north of Baghdad and in Falluva, 80 km west of Baghdad. Hyundai's previous contracts in Iraq have been for roads and town developments.

The names of the other companies bidding for the project were not available. Construction to begin in January, 1982, is expected to take 30 months.

Hyundai should also be signing a contract soon for a $225m *gas and oil separation* project in Saudi Arabia. The company will be the prime contractor for an Aramco project, with the assistance of two U.S. technical engineering concerns, one for structural design and the other for process engineering. Hyundai completed work on another Aramco project two years ago.

The Korean company has been intent on participating on bids for more sophisticated projects, using *outside* technical assistance when necessary, and actively returned to the Saudi market last August *after an 18-month moratorium* on bidding imposed on the company.

With these contracts, Hyundai Construction and Engineering will have practically doubled its overseas orders this year for a total of over $2bn.

IATA members fail to agree on higher fares for Atlantic

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRLINES FLYING the North Atlantic have failed in their bid to agree on a new higher fares structure for the route designed to cut losses estimated at over $650m (£342m) this year.

A meeting of 27 member-airlines of the International Air Transport Association in Geneva has been adjourned until January 12, when it will resume discussions in the U.S. That meeting is scheduled to last at least until January 23.

Mr Knut Hammarskjold, director-general of the IATA, says that the meeting had taken "the first steps towards tariff clarity" on the route.

He remains optimistic that the airlines can eventually produce a formula for fares that will satisfy governments, especially the U.S. Government, which has been particularly hostile towards any kind of fares agreements between airlines on the North Atlantic.

"The crucial aim is to develop a tariff formula which permits easy comprehension by governments, consumers, travel agents and, of course, the airlines themselves," says Mr Hammarskjold.

"We believe that the airlines can come up with a solution that is responsive to consumer needs, encourages workable competition and offers innovative low fares."

Earlier, it had been hoped that the airlines would be able to agree on an interim fares rise from January 1 of about 5 to 10 per cent, but this has not occurred.

It is still possible for individual airlines to file for increases with their respective governments, however, and it is thought likely that this will be done, especially by U.S. and UK airlines.

Meanwhile, representatives of Europaan, U.S. and Canadian government civil aviation authorities will meet in Paris today to consider a more rational inter-governmental approach to the problems of the North *Atlantic* air route.

They will be trying, for ex*ample, to get* the U.S. to agree to the inclusion in future fares talks of non-IATA airlines, such as Laker. More significantly, they will be trying to clarify U.S. Government intentions over the latter's continued recognition of the IATA.

Recently, the U.S. Civil Aeronautics Board has been seeking to remove U.S. anti-trust immunity from IATA member-airlines, a move which, if carried through, would come close to destroying the association's existing fares-fixing procedures and cause chaos in the world air transport system.

India in talks with ENI on oil well repairs

By K. K. Sharma in New Delhi

THE Indian Ministry of Petroleum has held talks with ENI, the Italian State oil company on co-operating to repair the war-damaged oil wells and refineries in Iraq and Iran and it is likely that a joint approach will be made soon to Tehran and Baghdad.

India has good political relations with both Iraq and Iran, and it is thought that a bid led by New Delhi would be more acceptable to both the countries. Although India has developed substantial know how in drilling and maintenance of oil wells, both onshore and offshore, as well as in building refineries there are some parts of the work that still need foreign help.

ENI has the requisite know-how for the work. The initial talks were held when an Italian team of businessmen visited India recently and they are now to be taken further.

Several Indian public and private sector companies are already carrying out construction contracts in both Iraq and Iran

In Iraq alone, Indian companies have won contracts this year worth more than Rs 10bn (£575m) and the total now is more than three times this amount.

Red tape blocking imports, says Tokyo

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

AN EXCESS of official red tape is blocking imports into Japan but is also creating problems for exporters, according to a special report by the Japan Foreign Trade Council, a body representing major trading companies.

The report, submitted to a committee which is studying ways to reform the Japanese bureaucracy, lists a number of apparently absurd requirements imposed on imports.

One such ruling stipulates that a company importing drugs into Japan submit to the Health and Welfare Ministry a health certificate for each of its directors—including those running departments which have nothing to do with drugs.

Removal of such requirements could obviously make Japan a more accessible market to imports. However, the Foreign Trade Council also argues that some of Japan's exports, especially of industrial plant, are being held down by unnecessarily elaborate control and inspection procedures.

The Council's list of unnecessary import controls includes Ships bringing cargoes of grain to Japan are obliged to undergo inspection procedures at each Japanese port instead of undergoing a single test valid for the whole country.

Food safety and plant safety inspection procedures are carried out separately by the Ministries of Health and Welfare and Agriculture, thereby increasing the time and expense of getting products into the country.

Imported goods, which have measurements or weights indicated in both metric and non-metric systems, must have the non-metric figures erased before they can pass through the Customs. (The work of erasing is carried out by part-time workers such as housewives.)

If a big Japanese trading company wants to import a foreign pharmaceutical product into Japan it will have to submit health certificates to the Health Welfare Ministry for directors of, for example, its steel export division or its U.S. *subsidiary*.

Japanese regulations on the thickness of metal in aerosol containers are different from internationally accepted regulations and have the effect of blocking imports of all aerosols.

UK aerospace mission plans to visit Japan

BY MICHAEL DONNE, RECENTLY IN TOKYO

A UK aerospace industry mis*sion plans to visit* Japan February 2 to 6 in a bid to win closer collaboration with Japanese aerospace companies.

The team will be led by Mr A. H. Pope, president of the Society of British Aerospace Companies, who is the managing director of Dunlop's Aviation Division.

He will be accompanied by Sir Austin Pearce, chairman of British Aerospace; Sir Robert Hunt, chairman of the Dowty Group; Sir Roy Sisson, chairman of Smiths Industries; Mr. D. J. Pepper, vice-chairman of Rolls-Royce, and Sir Charles Pringle, the director of the SBAC.

Other members of the mission will include senior directors of Flight Refuelling, Ferranti, EMI Electronics, Lucas Aerospace and other equipment companies.

The team will be aiming to exploit the opportunities for further aerospace trade with Japan. Over the last five years, the UK has exported £123m of aerospace products to that country, and has imported about £23m worth.

This favourable balance for the UK worries the Japanese industry. The leaders of the Society of Japan Aerospace Companies will make it plain that they do not want just to buy more goods from the UK, but to engage in substantial further collaborative ventures, like the joint Rolls-Royce/Japanese RJ-500 aero engine.

The Japanese Government is anxious to develop the country's aerospace industry and is prepared to invest substantial sums in programmes that are especially likely to stimulate advanced aerospace technology.

One programme being considered is an investment in one of the three rival 150-seat airliners now planned by Airbus Industrie, McDonnell Douglas/Fokker and Boeing of the U.S.

France in £118m pipe goods deal with Russia

A TWO-DAY meeting of the Soviet-French Economic Commission ended yesterday with the announcement of a FFr 1.3bn (£118m) deal for gas refrigeration equipment, AP reports from Moscow.

M Michel Jobert French Foreign Trade Minister said that Creusot-Loire will supply 19 refrigeration stations for a pipeline which will carry Soviet natural gas to France, West Germany and other European countries starting in 1985.

Rothmans seeks inroads in Egyptian market

BY ANTHONY McDERMOTT IN CAIRO

ROTHMANS yesterday signed an initial agreement with the Egyptian Government which could open up to it a sizable slice of the local market which buys 35bn cigarettes a year.

The protocol still has to be approved by the relevant government authority and it involves the establishment of a factory in Cairo at the overall cost of between E£50m-E£60m (£30m-£36m) on the basis of a joint venture with the Eastern Tobacco Company, part of the Egyptian public sector.

This company, along with Nasr Tobacco, another public sector enterprise, almost controls the market.

Foreign companies provide about 4.5bn of the 35bn cigarettes bought annually.

If it can find a suitable factory site in Cairo, Rothmans hopes to provide within the next two years 5.4bn cigarettes a year. It is hoped that this will rise after a maximum of seven years to 15bn.

Rothmans takes heart from the fact that it will be able to take advantage of a market in which consumption is increasing by about 11 per cent a year.

There have been problems with Egyptian bureaucracy and over the question of marketing the trade mark of the local brand. Rothmans hopes initially to market two brands, one the local marque, and the second its own, preferably Craven A.

F H Lloyd move jeopardises steel castings plan

BY RAY MAUGHAN

THE LAZARDS plan for the rationalisation of capacity in the steel castings sector has been jeopardised by the decision announced yesterday by the largest private group in the industry, F. H. Lloyd Holdings, not to participate in the proposed scheme.

The proposal, orchestrated by Lazards, the City merchant bank, is now given little or no chance of success by other leading members of the steel castings industry.

Lloyd has seen a succession of controversial boardroom changes this year, but had been seen as a pivotal element of the Lazards plan. The scheme had been designed to trim general sector castings capacity in the UK by 25 per cent to 150,000 tonnes annually.

Lloyd has recently been producing 25,000 tonnes of castings and even in this difficult year it will probably make 22,000 tonnes.

It attributed its reasons for non-participation to its own, individual, attempts to trim capacity to declining demand.

Rationalisation, it said, had already involved a 50 per cent reduction in its own labour force over the past three years and last week's closure of one of its four foundries.

Weir Group, the Scottish valve and foundries group, riposted that it had cut back just as much, if not more, but it still remained a keen adherent of the Lazards plan.

F. H. Lloyd also stressed that it felt the industry would best provide for the needs of its customers "if free market forces are allowed to prevail and particularly if levies are not added to its cost burden." Mr Ivor Ward, the finance director of Lloyd, said yesterday that non-participation had been a "soundly based boardroom decision."

"The levy," he said, "would be the only certainty. The uncertainty is the increased work we would or would not get from the people we would be paying to close down.

He added that while F. H. Lloyd was the most important group within the industry, steel castings comprised a greater proportion of its turnover and workforce than most of its leading, more diversified, competitors.

Lazards had been persuaded to alter the initial compensation terms to those companies willing to shut down. After a series of meetings in York this autumn, the proposed levy on those opting to retain production rose from an estimated 2 per cent of annual turnover to 3 per cent, although the industry resisted the bank's call for a 4.4 per cent charge.

The cost to continuing manufacturers is thought to have been between £22m and £23m in a series of phased payments to those closing production.

The "closers" were to have received an initial lump sum of 44 per cent of "reference value" or average annual turnover, followed three years later by 11 per cent of reference value and capped, two years after that, by a further 7½ per cent.

Nationalised industry finance queried

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

NATIONALISED industry chairmen are to urge the Government to reopen the debate about the way their businesses are financed, following the publication yesterday of a critical report from a group of top finance directors.

The chairmen are to write to Sir Geoffrey Howe, the Chancellor, saying they have been particularly struck by many of the arguments and recommendations in the report.

They may also complain about a lack of Government initiatives when they meet Sir Geoffrey this afternoon to discuss the Government's plans for reorganising the relationship between the industries and Whitehall.

The report criticises the present financial arrangements of the industries, for being "rigid and inflexible."

It has been prepared by Mr Eddie Weiss, finance director of Chubb and Son, for The Hundred Group of Chartered Accountants which consists of finance directors from major businesses, including 10 nationalised industries.

The report proposes that individual state-owned industries should be turned into a form of stautory corporation and should have more private sector investors. They should also have debt-equity capital structures similar to Companies Act businesses, instead of their present reliance on loans from the Government's National Loans Fund.

More flexible financing arrangements should be introduced, says the report, allowing greater access to private sector funds outside the controls of the Government's Public Sector Borrowing Requirement and the industries' external financing limits.

An earlier draft of the report contained proposals for a "half way house" for public utilities with market monopolies. It suggested that they should be monitored by publicly-appointed commissioners operating under statutory guidelines.

This has been dropped from the final draft because it was thought to be too politically controversial. The finance directors did not want to distract attention from their other proposals.

The ideas contained in the report support a campaign waged by nationalised industry chairmen for nearly two years. Two reports were prepared during the summer by the National Economic Development Council and the Commons Select Committee on the Treasury.

Since then the Treasury has not relaxed its financing rules. It has refused so far to sanction a British Telecom Bond for private sector funding and has issued tight external financing limits for 1982-83. This has annoyed the chairmen.

The Financing of State Owned Industries. Price £5. The Hundred Group of Chartered Accountants, 7th Floor, Allied House, 156, St John Street, London, EC1.

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State sector consumer councils face cuts

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A REDUCTION in the number of nationalised industry consultative consumer councils is suggested by the Government as part of a wide review of consumer representation in the public sector.

Mrs Sally Oppenheim, Consumer Affairs Minister, yesterday put forward a consultative document from the Government proposing a number of major changes in the structure of consumer representation in nationalised industries.

The document concludes that reform of the present system is needed to create a "greater clarity of purpose, better ordering of priorities and a slimmer, more professional machinery."

Such reform would include the setting up of "fewer, smaller and more authorative councils."

The review of the Nationalised Industries Consumer Councils (NICC) has taken more than two and a half years to complete and the Government hopes to make changes in the present system during the course of the present Parliament.

Consumer consultative councils in the public sector have been established since 1945 and now number 44, mainly in the energy and transport sectors. About 1,000 ministerial appointments are involved.

The review of the existing structure of consumer representation put forward a number of criticisms. It said the present consumer councils were not sufficiently well known to consumers, were not cost-effective in dealing with customer complaints, were insufficiently independent of the industries concerned and were generally ineffective.

But the review confirms that "there is a need for the NICCS, or something like them and that they could not satisfactorily be replaced by another existing body or bodies." Yet it is also evident, the report says, that "there are defects in the existing system and, consequently, the NICCS cannot be left as they are."

The review suggests that there are two reform options. Limited reform without legislation could take place, involving a "modest" reduction in the number of NICCS, or more substantial legislative reform could be introduced.

This more radical approach would reduce the number of NICCS from 44 to 17 and concentrate their responsibilities on three broad industry groups covering energy, communications and transport.

The Government's review also includes suggestions for increasing consumer access to consultative councils. A free telephone service, for example, could be provided at railway stations.

The review of the consumer councils reflects the Government's tougher line towards public scrutiny of the public sector. The Government will shortly announce a programme of six investigations into public bodies under the Competition Act, to be carried out by the Monopolies and Mergers Commission.

These investigations, which are being finalised, are likely to include the coal and water industries.

* *Consumers' interests and the nationalised industries, free from the Department of Trade, London.*

Seagram opens £12m whisky plant in Paisley

BY GARETH GRIFFITHS

SEAGRAM, the Canadian wines and spirits group yesterday opened a £12m bottling and packing plant in Paisley, Strathclyde. The plant will handle the group's Chivas Regal and 100 Pipers Scotch whisky brands, which are mainly exported.

But the company, which still has $800m left from its sales of Texas Pacific Oil and acquisition of 20 per cent of the Dupont Group, said yesterday that it had no plans for further acquisitions or investments in the UK.

Mr Edgar Bronfman, Seagram's chairman and chief executive, who opened the new plant, said the company still regarded itself as a wine and spirits multinational and, although it enjoyed influence within Dupont, it had no intention of becoming managerially involved.

Seagram says its share of the U.S. spirits market has risen to 21 per cent, an increase from 17 per cent in 1976. Chivas Regal now sells 3m cases a year worldwide and is the fifth largest brand in the U.S., with annual sales of 1.2m cases. Mr Bronfman said gross margins on whisky had increased by 10 per cent over the past five years, and sales promotion for the brand within the U.S. was now at a minimal level.

The 160,000 sq ft bottling plant at Paisley wil handle three bottling lines and double the speed of the present operation. Seagram has operated the bottling plant at Paisley since 1964 and this currently handles more than 3m cases a year. The new plant is part of the company's strategy to slim down the labour force.

Rail station taxi deals to be examined by OFT

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

TAXI SERVICES from British Rail stations are to be investigated by the Office of Fair Trading under the Competition Act.

The OFT yesterday announced two specific investigations under the Act into alleged anti-competitive practices at British Rail stations.

The first investigation will be a test case about British Rail granting sole rights to a particular group of taxi operators to ply for hire at Brighton Central Railway station.

The OFT has to establish whether British Rail's policy, which prevents some taxi firms operating from forecourts, is an anti-competitive practice.

The second investigation covers the provision of facilities and advertising services at railway stations for self-drive car hire companies. It will look in particular at the exclusive arrangements for Godfrey Davis Europcar to operate at British Rail stations.

The investigations are likely to take about six months and could be followed by a further investigation by the Monopolies and Mergers Commission.

The results of the first case to go through both the OFT and Monopolies Commission's investigation machinery — TI Raleigh's refusal to supply cut-price retailers—will be published by the Department of Trade today.

Chevaline project delayed again

By Bridget Bloom, Defence Correspondent

CHEVALINE, THE multi-million pound project designed to update Britain's Polaris strategic nuclear deterrent, cannot now become operational until next year, at least a year after it was originally scheduled.

According to the Ministry of Defence, the Chevaline project described as "the most complex piece of weapon system engineering ever undertaken in Britain," is now proving successful.

The ministry insists that problems with the project — designed to enable Polaris missiles to evade Soviet defences — are now under control and that it will be operational on missiles on board the Polaris submarine HMS Renown before the end of next year. Deployment on the rest of the four submarine Polaris fleet will follow over the next two years.

However, the project is now being examined by the House of Commons Public Accounts Committee, which is clearly disturbed by the delays in making it operational and by rising costs.

Chevaline was originally approved by the Labour Government of Mr Harold Wilson, but with a majority of Cabinet members apparently remaining ignorant of the project.

The Ministry of Defence is believed to have calculated in 1974 that it would cost about £350m and would be operational by 1979.

These estimates were later increased, and when Mr Francis Pym, then Defence Secretary, first publicly disclosed the existence of the project to Parliament in January 1980 the overall cost had become £1bn, with an operational date of mid-1981.

The Public Accounts Committee sessions are being held in private and it is not yet clear whether any evidence taken from senior officials at the Ministry of Defence will be published.

Obviously the committee wants to know how far the cost has gone above the £1bn figure given by Mr Pym.

Mr John Nott, Defence Minister, said a few months ago that the cost of Chevaline had "gone bananas" but officials later said he was referring to price increases up to 1977.

Latest time for telemessages

CUSTOMERS can send telemessages for delivery before Christmas Day up until 8.00 pm. or 9.00 pm for delivery in the London postal area on December 23, but no later.

The latest time for customers to send a telegram abroad for delivery by Christmas Day is noon on Tuesday, December 22, and for telegrams within the UK and to the Irish Republic, noon on December 24.

First electric truck completed at Dodge

BY JOHN GRIFFITHS

WHAT IS claimed to be the world's first commercial production of a fully traffic compatible, road-going electric truck has begun at the Dodge plant at Dunstable.

The first of an order for 20 trucks from the Southern Electricity Board was delivered to the board's chairman, Mr John Wedgwood, yesterday.

The truck has been developed jointly by Karrier Motors, the commercial vehicle company owned by Talbot and Renault Vehicules Industriels, and Lucas Chloride EV Systems.

It is based on the Dodge 50 series light truck and is built on the same assembly lines. It has a gross vehicle weight of 6.6 tonnes and can carry a payload of about 2½ tonnes. It is claimed that its 40 mph top speed and range of up to 55 miles on a single charge is adequate for most urban delivery work.

Its manufacturers concede, however, that initial demand is likely to be limited. The build programme is for about 20 units a month for a first batch of 80, with output of about 150 vehicles likely next year.

So far there are orders for 25, but this is expected to rise to more than 70 by spring. Karrier Motors and Lucas Chloride are negotiating for orders with other electricity boards, retailing chains and other users.

The manufacturers concede that their biggest problem is to persuade potential operators that the vehicles can be competitive in terms of "whole-life" costs, covering the purchase, maintenance and electricity outlays on the vehicles.

The trucks cost £14,625, roughly double that of a conventional petrol or diesel powered version, but this includes a Department of Industry subsidy on each vehicle of £4,000.

With the subsidy, it is claimed that the "whole-life" costs are competitive with conventional versions, but it is acknowledged that engineering improvements to cut costs and eradicate the subsidy by about 1985 are necessary if the vehicles are to become viable. But it is the makers' belief that escalating oil prices will in any case have strengthened the case for operators to change to electric vehicles.

De Lorean grants denied but guarantees approved

BY OUR BELFAST CORRESPONDENT

MR JAMES PRIOR, the Northern Ireland Secretary, yesterday appeared to turn down an application from the De Lorean sports-car company for £5m in grants. He foresaw no problem, however, in the Government extending guarantees for bank loans.

The company is supported by £80m in Government aid. It has asked that guarantees on working-capital loans of £10m raised from banks this year be extended beyond December 31.

The way seems clear for the Northern Ireland Department of Commerce to agree to the extension. Mr Prior's comments on more cash, made on a visit to the plant yesterday, were being taken as rejection of the company's application for grants.

De Lorean believes it is entitled to £5m of standard capital grants on past expenditure which so far has not attracted assistance. Mr Prior, said however, there was no more money for this particular project. He also said the Government would seek as tight a deal as it could in negotiations about financing production of a De Lorean saloon car.

Mr Prior said he was impressed by the De Lorean operation, which employs 2,600, producing 90 cars daily for the U.S. market.

Editor admits contempt

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE EDITORS and publishers of two newspapers face contempt of court penalties today over articles published during the mongol baby trial at Leicester Crown Court.

Sir John Junor, editor of the Sunday Express and Express Newspapers, acknowledged in the High Court yesterday that an article was in contempt, and apologised.

Mr David English, editor of the Daily Mail and Associated Newspapers, denied that an article written by Mr Malcolm Muggeridge was contempt of Court.

They said that the article did not create a substantial risk that the course of justice in the trial of Dr Leonard Arthur would be seriously prejudiced, and that publication was part of a discussion in good faith on a matter of public interest.

Mr Robert Alexander, QC, for Sir John and Express Newspapers, said that the contempt had been unintentional and an isolated lapse. They had done all they could to mitigate the contempt.

The hearing continues today.

Commission for Racial Equality criticised

By James McDonald

THE Commission for Racial Equality has been strongly criticised in a report from the all-party House of Commons Select Committee on Home Affairs. It recommends the ending of the commission's grant programme as quickly as possible.

The report says the self-help fund for groups of young West Indians, which cost £700,000 last year, should end with the money being transferred to urban aid budgets.

Despite its criticism of the commission, the Committee says the Commission should continue its dual role of promoting racial equality and investigating alleged discrimination.

Race relations in Britain demanded the continued existence of a "vigorous institution dedicated to the eradication of unlawful discrimination and the promotion of good race relations."

But the commission must be above suspicion and the report says: "It was not appointed in order to offer the pretence of being some sort of representative body for ethnic minorities."

A catalogue of charges levelled against the commission includes: "Partisan intervention in political debates, damaging its reputation for impartiality;" causing disillusionment among black people; lack of discretion, sensitivity and courtesy in carrying out some investigations; a lack of sense of priorities; and "acting as Lady Bountiful in handing out grants to racial groups."

The commission says the Committee's report is "facile and disappointing." It rejects nearly all the committee's comments and condemned its "standard of professionalism and objectivity."

Directors' plea for tax cuts

The Institute of Directors yesterday repeated its plea to the Chancellor for income tax reductions in next year's budget, including a 2p cut in the standard rate to 28p.

The institute's other proposals for the spring budget include: reduction of higher income tax rates, with the top rate cut to 50 per cent; a cut to 9 per cent in Investment Income Surcharge; top rates of Capital Gains Tax reduced to 25 per cent and Capital Transfer Tax to 55 per cent; abolition of the Development Land Tax; and abolition of "clawback" on small profits for Corporation Tax.

£5m contract for Westland group

HELICOPTER SERVICES, a member of the Westland group, has won a £5m contract from Egypt for the support of helicopters already in service with the Egyptian air force. It includes supply of spares for Sea King and Commando helicopters, and and repair and overhaul work on those aircraft.

In the 1970s the Egyptian armed forces hought 34 Westland helicopters, six Sea Kings and 28 Commandos. A total of 247 Westland Sea King and Commando helicopters have been order for service with 10 air forces worldwide.

Jobs to go after pottery collapse

MORE THAN 320 workers will lose their jobs later this week after the collapse of one of Stoke-on-Trent's oldest pottery companies.

Earthenware manufacturers Woods and Sons, in business in Burslem for 200 years, has gone into voluntary liquidation. Production at its Trent factory will end on Friday although the Stanley pottery, which employs 150, is to remain open and the receiver hopes to sell it as a going concern.

Plan to recycle drinks bottles

THE PRINCIPAL stage of a pilot project to assess the economic feasibility of collecting and recycling drinks bottles made of PET (polyethylene terephthalate) has begun in Leeds.

If the project, sponsored by the British Plastics Federation, proves a success it is likely to be extended to other parts of the country.

Bunch reappointed Electricity chairman

MR Austin Bunch, whose chairmanship of the Electricity Council ends in March, has been reappointed to the post for a further year.

Mr Bunch, 63, has been chairman of the council since the start of this year, when he took over from Sir Francis Tombs, who resigned early because of a policy dispute with the Government. The Electricity Council is the umbrella co-ordinating body for the power supply industry in England and Wales.

Developing countries 'may be a better loan risk than expected'

FINANCIAL TIMES
WORLD BANKING
CONFERENCE

BY WILLIAM HALL

DEVELOPING countries are borrowing $75bn (£40bn) net a year and their external debt at the end of 1981 is expected to exceed $500bn. It may well exceed $1,500bn by the end of the decade.

Private commercial banks new account for about half the developing countries' new borrowings and are owed ($170bn which is not guaranteed by creditor government.

International lending to developing countries is expected to climb to $100bn net a year and most will be provided by private commercial banks, says Dr Irving Friedman, senior international advisor of The First Boston Corporation.

He was adressing the second day of the World Banking Conference organised by the Financial Times and The Banker.

Dr Friedman said he believed that as banks improved their assessments of credit and country risk, they would learn that loan losses in developing countries are not likely to be higher—and are more likely to be lower — than in developed countries. He was optimistic about lending to developing countries and said a country such as India could become credit worthy for very large amounts of money.

He had taken part in most developing countries' debt renegotiations over the last 25 years. During this time only 20 countries had been involved.

In 1980/81, ten countries have been taking part in multilateral debt renegotiations with total debts of $20bn. This is less than 10 per cent of the total outstanding debt of all developing countries.

He estimated that only about $4bn to $5bn of the $20bn was subject to renegotiation, and represented just 2 per cent of total developing country debt.

"It is noteworthy that these ten developing countries taken together had less external debt than Poland alone."

In terms of debt renegotiations solely with commercial banks, only nine developing countries had been involved since 1975.

Countries requiring debt renegotiation are only a small fraction of LDC borrowers, which explains why they have not sent tremors through the international banking system as many people expected.

U.S. defends its role as market guardian

THE UNITED STATES will intervene in the foreign exchange markets at times of serious market disorders said Mr Myer Rashish, Under-Secretary of State for Economic Affairs at the U.S. State Department.

He denied that America was pursuing a policy of "benign neglect," of the dollar and said U.S. exchange rate policy was consistent with the IMF's provisions on exchange arrangements and U.S. commitments in the fund.

"Our first responsibility is to establish the credibility of our economic policies, to bring down inflation to a level consistent with the dollar's international status.

"The U.S. is committed to a market solution to exchange rate determination. However, we can certainly debate the nature of the foreign exchange market," said Mr Rashish.

"We all agree that stable markets are better than unstable markets but we do not agree on the price we are willing to pay for short run stability."

Mr Rashish said he would be watching the EMS carefully this spring to see if the stability it imparted could produce the domestic policy co-ordination in Europe necessary for long run viability.

He concluded that nations were searching for a framework of international economic relations to replace Bretton Woods.

"The U.S. accepts that it has special responsibilities, but it cannot be expected to fill the role it played in the 1950s and 1960s. There must be a broader sharing of responsibility."

David van Pelt, a senior vice-president of Citibank, said U.S. officials were no longer pressing for reserve requirements on European currency banks. They were hoping to monitor the market more closely by bringing in more Eurocurrency business.

The new International Banking Facilities recently authorised in America represented a belated recognition that business flowed in to the least restrictive havens. The rules had not yet been changed sufficiently to make the market fully competitive and the new facilities would have little impact on London.

Mr Peter Shore, UK Opposition spokesman on treasury and economic affairs, said if banks continued to meet the needs of developing countries they must be aware that the capacity of many borrowers to repay debts was far from infinite.

The IMF and World Bank could play a larger part in solving the problems, but neither was well equipped to deal with them.

He said there would not be the market opportunities for third world goods and raw materials, unless OECD countries had sustained economic growth.

He said understanding the problems, let alone providing the resources to deal with them, was the most urgent task facing governments and banks in the coming decade.

Dr Bruno Gehrig, chief economist of the Union Bank of Switzerland, said experience in Iran and Poland had shattered the illusion that it was easier to make money on international business than at home.

Beating problems of pressure

BANKERS NEED to perceive and diagnose their problems, in time and with precision, said Dr Walter Seipp, chairman of Commerzbank.

"Only like this can we develop the intellectual strength and flexibility needed to cope with them — bending, so to speak, like a bamboo in a thunderstorm, but weathering it unharmed nonetheless."

He told the World Banking Conference organised by the Financial Times, and the Banker, that there were no patent solutions to the tensions and hostilities facing banks.

Higher costs and keener competition were putting pressure on bank profits. These could be contained by the rationalising of branch networks, computerisation, and steering clear of unprofitable Euromarket business. He warned that banks had to face intensifying public criticism by offering clear and convincing arguments and not by "endeavouring to impress the world with the arrogance and conceit that used to be typical of many a banker in the past."

As much as $50bn of corporate and country debt was currently being rescheduled and there was growing evidence that bankers were becoming more concerned about the risks in international lending.

Geoffrey Bell, executive vice-president of Schroder International, said the international banking system was facing three negative forces, all of which increased the likelihood of more corporate and country debt reschedulings:—

- Generalised stagflation in major industrial countries, which was unlikely to improve over the next year or more.
- Continued extreme volatility in exchange and interest rates.
- The new phenomenon of high real interest rates around the world which was "potentially the most dangerous aspect."

Mr Bell outlined some of the initial findings of a study group on risks in international lending, established under the auspices of the Group of 30. The group which is jointly chaired by Mr Bell and Mr John Heiman, former U.S. currency comptroller, has circulated a questionnaire to 200 international banks soliciting their views on such questions as country debt re-scheduling, the inter bank deposit market, maturity transformation and margins.

Councils face grant cuts of £232m

BY ROBIN PAULEY

LOCAL authorities in England may lose £232m in grant this year as a penalty for overbudgeting, but the cut will not be made immediately because the Environment Department fears it may be illegal.

The Government's revised assessment of how much an authority needs to spend to provide a standard level of services in 1981-82—its so-called Grant Related Expenditure, (GRE) will, in many cases, make up for a certain amount of penalty imposed.

The penalties are the result of the failure of many councils to meet either this assessed spending level or a separate target for current spending set by the Government. The upshot was that councils planned to spend about £1bn more than the targets.

Legal doubt arises because of the mechanism involved in withholding this grant from councils. It has been done by use of a multiplier—a formula applied to the grant calculations. But the Local Government Planning and Land Act 1980 empowers these multipliers to be used only to increase grant, and Mr Tom King, Local Government Minister, promised repeatedly throughout the passage of that Bill last year, that they would not be used to cut grant.

A way round has been found by changing another part of the formula, effectively raising everybody's grant except those on the penalty list, whose equations remain unrevised, thus giving them less grant than on the first calculation.

There is considerable doubt, not least among the Department's lawyers, as to the legality of this way of circumventing the letter of the law. At least three QCs are understood to be looking at the matter for councils and their views are divided.

A new clause has been inserted into the Local Government Finance Bill because of the problem. The clause would empower the Government to use multipliers both to increase and reduce grant.

Mr King admitted that the clause—clause 12—was to resolve the legal uncertainty.

But the Bill to control rates is about to be withdrawn and a new, milder Bill introduced, still with the relevant clause intact, but much behind schedule. This means the penalties cannot yet be implemented.

The Government's letter to councils says: "It is not now proposed to implement grant holdback in the first supplementary report (due any day), but to do so in a further report to be laid before Parliament next year."

West Midlands stands to lose £10.4m (equivalent to a 2.6p rate) and as with the other metropolitan counties, all of which stand to lose substantial amounts, there is very little relief in the new GREs.

In terms of effect on the rates, Sheffield and Waltham Forest are the worst affected, each losing the equivalent of a 10.2p rate, but both get some relief from the new spending assessments. Waltham Forest's is understood to have been increased by more than £1m for example.

The Greater London Council has a penalty of £32.7m, but its GRE has been increased by more than £30m. The Inner London Education Authority has a penalty of £11.2m, but is expected to receive a new spending assessment about £5.5m higher than the present one.

The revision of these assessments makes a substantial difference to some authorities. Corby, for example, will get about two-and-a-half times its original grant settlement of £330,000 under the new calculation.

And some hard-pressed inner London Labour boroughs will be helped. Lewisham, Hackney, Tower Hamlets, Brent, Haringey, Hounslow and Newham are among those which will lose grant but get some back through increased assessments.

In some cases, it works the other way, however. Some councils will lose through the grant penalty, and more, by having their spending assessments revised downwards.

Lambeth, for example, will lose £3.7m in grant holdback and its GRE is expected to be reduced by about £500,000. Cheshire faces a grant cut of £11m plus a slight cut in its GRE. Durham and Northumberland are in the same position.

Other shire counties facing large cuts in grant are Avon (£9.3m), Humberside (£7.3m), and Nottinghamshire (£9.2m), although all three will get slightly increased GREs.

Of the shire districts which will lose grant as a penalty and have their expenditure assessments cut, one of the most notable is the Conservative-controlled borough of Harrogate, North Yorkshire, which consistently figures in Government tables of the worst overspenders.

Its grant will fall by £312,000 (a 2p rate) and its GRE will be cut by about £150,000.

Plans for Audit Commission attacked

By Robin Pauley

THE GOVERNMENT'S plan to give the Environment Secretary powers of direction over the proposed Audit Commission is attacked today by the Advisory Committee on Local Government Audit.

Such a power "would seriously diminish the independence and therefore the standing and authority of the commission," the report says. If a power of direction was to be taken it should only be as a reserve power exercisable only where it could be demonstrated that the Commission had failed to discharge its statutory duties.

This latest attack follows strong protests by public and private sector accountants.

The Government's proposals to establish an Audit Commission from 1983 are in the Local Government Finance Bill which is to be withdrawn because of Tory backbench opposition and reintroduced in a milder and revised form. The Audit Commission clauses will survive.

The committee takes a less vigorous line on allowing the Environment Secretary reserve powers over the commission to order an extraordinary audit.

The report says that while this would work against the distancing of the audit function from the Environment Secretary "we are not fundamentally opposed to its existence."

The report also says the cost of paying local government wages and salaries could be reduced from £25m a year to under £4m if all employees were paid monthly by cashless methods.

More than 50 per cent of all employees and 78 per cent of manual workers in Britain are still paid weekly in cash compared with only 1 per cent of all employees in the U.S. and 5 per cent in Canada and West Germany.

Advisory Committee on Local Government Audit. Second Report, HMSO, £4.

Ashley Ashwood

PAYING HOMAGE *to the pudding or felled by the whiff? The Chief Commoner of the City* of London, Mr B. Joe Brown, samples an offering at the annual Financial Times Pudding Tasting which was held yesterday at the Savoy Hotel, London. Also judging this year's vintage were Terence Conran, founder of the Habitat chain and Lucia van der Post of the Financial Times. The full report on this year's tasting will appear on Saturday.

Manchester pleads for development area status

By Nick Garnett, Northern Correspondent

A PLEA for special help for the inner city areas of Manchester and Salford to reverse a severe erosion of their economies was made yesterday in a written submission to the Government.

The submission, to Mr Patrick Jenkin, the Industry Secretary, from Manchester City Council, says the Government's decision to remove Intermediate Area assistance status for the zone next year should be altered to make it a full Development Area.

It argues that there are serious inconsistencies in Government policies generally towards the regeneration of inner cities.

The document, which covers the Manchester-Salford local authority-government partnership area and includes Moss Side—scene of rioting in the summer—is partly the product of dramatic changes in the area's industrial structure and employment, and also of the potentially warping effects of government assistance to Merseyside.

The submission complains that there is now a "positive disincentive" for developers and companies to invest in the Partnership Area because of the close proximity of Merseyside—a Special Development Area — and development corporations or their equivalent in Wigan, Warrington and other nearby towns.

The Manchester-Salford Partnership Area is being placed in a position of "relative disadvantage" because of the loss of grant under Industry and Local Employment Acts and EEC funds.

"The Government's decision to withdraw assisted area status in August next year is undoubtedly inconsistent with the Government's commitment to tackle the problems of the regeneration of the economy in the inner cities," says the submission.

"The recent civil disturbances in the regional cities of the North-West have served to focus even greater attention on the need for the effective solution of their employment problems."

More than 32 per cent of Manchester's workforce is unskilled compared with 24 per cent in England and Wales, and Manchester and Salford have the highest proportions of registered disabled—in excess of 5 per cent of their total populations.

The submission says that during the past 10 years not only has there been a dramatic drop in manufacturing jobs in the area, but the service sector, which expanded nationally, has also shown a decline.

Manchester lost 37 per cent (91,000) of its manufacturing jobs in the two decades up to this year.

Liquidator to investigate Cayman Islands company

THE LIQUIDATOR of the Isle of Man-based merchant bank International Finance and Trust Corporation, announced yesterday that he is taking control of Jamie Investments.

This Liberian-registered company, controlled from the Cayman Islands, contributed to the failure of the bank by defaulting on a £5m loan.

Mr Patrick Shortall, the liquidator, said in Douglas yesterday that while Jamie Investments had been controlled by trustees it was, in effect, an agent of the bank. The £5m loan had, in the first place, been made by the bank and then transferred to Jamie Investments.

There would be an intensive investigation into the assets of Jamie Investments, and evidence available suggested that the collateral deposit as security for the £5m loan was inadequate.

Mr Shortall said he had started intensive efforts to recover money loaned by the bank and had no doubt that this would cause serious financial problems for some companies. His first duty, however, was to depositors and he hoped to make a first repayment early next year.

Law commission urges shift in divorce priorities

A NEW approach to dividing cash and other assets after divorce was called for yesterday in a report by the Law Commission.

It could help change the idea that a maintenance award gives an ex-wife a "meal ticket for life," and lighten the financial burden that a divorce settlement places on an ex-husband.

An estimated one marriage in four is likely to end in divorce, and 171,992 divorce petitions were filed in 1980.

The report recommends that courts should no longer aim at keeping divorced couples as close as possible to the financial position they would have enjoyed had they remained married.

Instead of working along this long-accepted guide-line, judges should give overriding priority to making financial provision for children.

"More importance should be attached to a divorced wife's earning capacity and to the desirability of the parties to the marriage becoming self-sufficient," says the report. Courts should aim at achieving "a smooth transition from marriage to independence."

The report, The Financial Consequences of Divorce, will eventually be considered by Parliament.

Private day clinic offers Health Service discount

BY ROBIN PAULEY

A PRIVATE London day surgery is to offer a discount for National Health Service treatment.

The Wellington Day Surgery Centre claims it can carry out treatment more cheaply than the NHS because patients are home within 24 hours of operations.

It is offering a reduction in fees to health authorities that send patients in bulk. The Department of Health said yesterday it would back any authority which sent NHS patients to be treated privately provided the cost was lower.

The Wellington centre opened in August and has treated more than 700 patients in three operating theatres. Operations include hernia repairs, correcting squints, removing varicose veins, gynaecological and cosmetic surgery and, from yesterday, treatment for cataracts.

Meanwhile an inquiry by the British Medical Association has rejected insurance schemes as an alternative way of funding the NHS.

Dr Michael Rees, leader of the junior hospital doctors, said yesterday the inquiry showed that although insurance-based funding might generate increased revenue this would be more than outstripped by high administrative costs.

Safety nets would be needed to cover people who could not afford insurance and to ensure they were not left with only basic care.

The Government is to examine an inter-departmental study of alternative ways of funding the NHS. Insurance schemes were thought to be to be high on the list of options.

Ford office staff accept 7.4%

BY JOHN LLOYD

FORD'S 16,000 white collar workers yesterday accepted a pay increase of 7.4 per cent. At the same time, the leader of the company's second biggest union said a manual workers' strike seemed inevitable and the company's Continental unions pledged full support for a UK strike.

The three white collar unions—the Association of Scientific Technical and Managerial Staffs, the white collar engineering union AUEW Tass and the white collar section of the Transport and General Workers' Union—agreed a settlement which gives their members the same rise as that rejected by the manual workers, but shorn of the specific productivity conditions.

The office workers have instead agreed to five generally-worded efficiency clauses which call for the best use of available resources, acceptance of new technology and flexibility of overtime working. The offer was accepted by a large majority at mass meetings in the company's 24 plants.

Meanwhile, Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, said the AUEW executive had confirmed its support for a strike by its 10,000 members.

The union is, however, concerned about how much the strike will cost, with payments to members running at £12 a week. The 1978 strike cost £987,000.

Mr Ron Todd, the union's chief negotiator, yesterday received messages of support from union officials in all the major Ford plants on the Continent.

Why the unions are refusing to pay the price of peace

John Lloyd looks at the causes of the Ford dispute

IF FORD'S 54,000 manual workers strike on January 5—as they now seem likely to do—they will not so much be protesting against the size of the wages offer but about the price they are being asked to pay for it.

The offer itself is higher than the settlements at Vauxhall (5 per cent) or BL (3.8 per cent on basic rates) and three times the opening offer at Talbot (2.5 per cent).

It is also considerably higher than the bulk of offers and settlements in the manufacturing sector.

The fact that Ford may provide the first serious industrial action of the new year therefore looks curious. But two related considerations make it appear less so.

First, the company, alone among the four UK based car manufacturers, is profitable. Its pre-tax profit last year was £226m, down from £386m in 1979. It was probably the only part of Ford's international operations to be in the black. Ford U.S. made a $1.5bn loss in the same year.

True, Mr Sam Toy, Ford UK's chairman, warned when these figures were announced in April this year that the company showed no operational profit in the latter half of 1980. But the fact of profit remains, as does the likelihood that the company will again be in the black but showing a reduced surplus.

It is difficult to argue—as the company does—that the survival of Ford UK is at stake when it is the most profitable part of the empire.

BL has achieved much by pointing to its slender lifeline. Ford's seems, by comparison, in rude health, well able to stand a bit of robust industrial action.

Second, and more importantly, the changes which the company is seeking from its manual workforce are sweeping. In the past two years, the company has become convinced that, to remain in the first rank of world motor manufacturers, it must institute work practices as efficient and cost effective as those operated in Japan.

The company has become a convert to the eastern religion of high productivity. Its management has even designated its productivity drive the "After Japan" proposals—a programme in which the UK unions have so far refused to take part.

The unions have not undergone the same conversion. They remain agnostics on productivity — by no means denying that improvements could and should be made and in many cases proposing improvements of their own — but unwilling to relinquish the older faiths embodied in present agreements and agreed work practices.

A zealot has confronted a sceptic in these negotiations, and they have, as a result, broken down.

As a comparison of the documents drawn up by the company and the unions on efficiency shows, they have broken down on two major points — demarcation and local agreements.

The company's draft agreement specifies, as one of five "Key Efficiency Improvements," the "avoidance of inefficient demarcations between jobs, trades, equipment, operations and shifts."

In talks between Mr Paul Roots, Ford's industrial relations director, and the union officials, led by Mr Ron Todd of the Transport and General Workers Union, the company said it meant by this an end to practices where only designated craftsmen perform a specific function — turning on a tap or throwing a switch — and where his non-availability meant long delays.

"Commonsense and flexibility" is, the company says, all it wants.

On the yet more contentious area of local agreements, Ford has drafted a clause which reads: "All existing local agreements which perpetuate inefficient work practices and therefore conflict with the above five points (the Key Efficiency Improvements) are terminated."

These local agreements, the company will admit, were often conceded, unwisely, by plant management under pressure and now serve to block progress and hamper production.

In reply, the unions make three points.

First, the changes which the company will institute under these "enabling" clauses would be radical. They would be says Mr Todd, in effect the changes the company wanted to bring in under the "After Japan" programme. These were blocked because they conflicted with a job evaluation scheme.

The unions fear the demarcation clause would sweep away the distinctions between crafts upon which the craftsmen themselves insist, and that the termination of "inefficient" local agreements would give the company carte blanche to change work practices as they wished.

Second, the unions have themselves proposed many and radical changes. Specifically, Mr Todd told the company, in a meeting at the Charing Cross Hotel on November 16, that he would be prepared to form a panel of senior union officers to monitor an efficiency agreement and to act as a court of appeal for any grievances.

He would also be prepared to talk about the After Japan package but after an agreement is signed.

The union's redraft of the company's draft agreement retains most of Ford's wording but misses out the crucial clauses on demarcation and local agreements.

Third, an efficiency package is to be agreed it must be paid for. "The workers already have a lot to swallow in the way of changes. They are not going to take more without a good deal. If they get a good wage rise, and improved pensions and a shorter working week now, they might say, all right, we'll wear it," says Mr Todd.

The approaches of the two sides are, then, logically incompatible. The company is convinced that it must move into a new era if it is to remain viable. The union wishes change to be controlled and gradual. A compromise is clearly possible in the three weeks before the strike begins—but it is difficult to see which side will make the first move or how far they will be prepared to go.

Militant council workers campaign to reject 7.8%

BY PHILIP BASSETT, LABOUR STAFF

SHOP stewards representing militant council manual workers in London and the South-east are campaigning for the rejection of a pay offer worth up to 7.8 per cent on basic rates.

Three unions are involved, representing a million workers. The stewards' pressure comes despite the fact that the size of the offer is clearly causing embarrassment to the Confederation of British Industry, local authority leaders and the Government.

The offer was tabled only after the casting vote of the employers' chairman.

Union negotiators, privately jubilant at securing an offer well in excess of the Government's limit of 4 per cent are putting the deal to their members without recommendation. However, many feel it will be accepted.

The shop stewards however, are distributing thousands of leaflets urging that the offer—a flat £4.60—be rejected. The unions had put forward an inflation-linked pay claim and the stewards had been talking of industrial action to achieve it, even before it was lodged.

The London Local Authority Joint Union Shop Stewards Committee said yesterday: "We believe that if the employers are prepared to offer £4.60 before a major national campaign has materialised, then it will be possible to force them to concede the full claim if a militant campaign is mounted."

The committee will hold a shop stewards' conference next month four days before the results of the unions' official consultation exercises are reported to the employers.

● A written claim, similar in shape to that of the local authority manual workers but on behalf of 250,000 ancilliary workers in the National Health Service is expected to be sent to the Department of Health and Social Security after tomorrow's meeting of the TUC's health services committee. The ambulance workers' claim is due to be submitted in the New Year.

Employers urged to oppose law

By Our Labour Staff

LEADERS OF the Amalgamated Union of Engineering Workers are pressing employers to dissaude the Government from translating into legislation the draft proposals on labour law reform put forward by Mr Norman Tebbit, Employment Secretary.

The AUEW is sending a circular to all its members' bargaining units, suggesting they ask their employers to bring pressure to bear on the Government to resist the proposals, which place further restrictions on trade union immunities and the application of the closed shop.

Mr Terry Duffy, AUEW president, said yesterday: "I believe that the overwhelming majority of employers feel like we do—that there is no need for these proposals to become law."

The union's action follows a TUC decision to advise affiliated unions to pressure employers as part of a campaign against the Government's proposals.

Directors' pay up 4-9%

BY BRIAN GROOM, LABOUR STAFF

COMPANY DIRECTORS received salary rises of between 4 per cent and 9 per cent in the year to September, according to a survey published today. These are the lowest increases for many years.

The survey is published by the Institute of Directors and Reward Regional Surveys. It shows executive directors' total earnings rose by between 2 per cent and 5 per cent. Many directors look for 10 per cent to 20 per cent of their total remuneration from performance — or profit — related bonus schemes. These fared badly.

Executive chairmen and managing directors did best among the survey sample of 2,000 directors. Their basic salaries rose by between 11 per cent and 13 per cent, compared with 5 per cent to 7 per cent for other executive board members.

Directors' pay rises dropped all year, the survey says. The differential with staff and management grades, which have received salary increases averaging 11.6 per cent, grew.

A 9 per cent average rise for directors is forecast for 1982, 6 per cent to 8 per cent for departmental managers. Most of the directors' sample predicted 8 per cent to 10 per cent rises but 13 per cent expected to receive no increase.

Directors' Rewards, Reward Regional Surveys, 1, Mill Street, Stone, Staffs., ST15 8BA; £40.

Bifu welcomes surcharge ban

By Brian Groom, Labour Staff

THE BANKING, Insurance and Finance Union has welcomed the Government's move to stop garages and other retailers imposing surcharges on customers who pay by credit card.

Mrs Sally Oppenheim, Minister for Consumer Affairs, said last week the Government was not going to act on a Monopolies and Mergers Commission recommendation to force credit card companies to allow surcharging.

Mr Terry Molloy, Bifu assistant secretary, said yesterday that the union was in favour of new technology and moves towards a cashless society.

Bifu was also worried about the threat which the practice posed to the job security of 6,000 members in credit card operations.

UK NEWS — PARLIAMENT and POLITICS

Commons Sketch

Televised Commons still turns off MPs

A SUBJECT which has hypnotised MPs for the past two decades came up for another airing in the Commons yesterday—should the House allow the cameras in to televise proceedings?

TV is a topic on which MPs are completely schizophrenic. They love it when they appear on it. They loathe and fear it when it reports nastly things about them.

In favour of bringing in the cameras was Mr Jack Ashley, (Lab, Stoke on Trent South), who was trying to introduce a 10-minute rule Bill to televise proceedings. In the 1950s he was a BBC radio producer, and later a senior producer on BBC television.

Opposing the proposition was Mr Joe Ashton, (Lab, Bassetlaw), a bluff, gregarious chap who always looks as though he has just walked out of a character part in Coronation Street. Joe now writes a weekly column for a national newspaper and thus has a high degree of sympathy for his fellow hacks.

He seemed concerned that we would all be driven out of business when breakfast TV starts putting on exciting snippets from the previous night in the Commons.

The underlying assumption of Mr Ashley's, however, was that the great British public just could not wait for a chance to see their MPs at work in the Chamber. "We are being alienated from the people," he declared.

According to Mr Ashley, opposition to TV in the Chamber was based on three factors. Fear that the *exhibitionists* among MPs would start playing up, that special groups would promote their interests, and that broadcasting organisations would misuse the debates and concentrate on the trivial.

He maintained that all these fears were groundless. Other than Eire, we were the only country in the Western world which did not televise its legislature.

Joe Ashton had no such faith in the good behaviour of his colleagues. Just look what happened when they televised the state opening. Dr David Owen, of the Social Democrats, had nearly broken his neck pushing people out of the way to get into the procession in the Lords.

Joe predicted that even more horrors would follow and sooner or later the influence of TV in the Chamber would lead some martyr in the public gallery to take a potshot at a Minister.

As if to prove Joe's point about triviality, Mr Tristan Garel-Jones (Con, Watford), suddenly rose to accuse Mr Mike Thomas (SDP, Newcastle East) of being out of order by bringing a large package into the House and placing it on the seat beside him.

The green bag looked as though it contained a supply of Christmas booze and Mr *Dennis Skinner (Lab, Bolsover)*, stirred things up by loudly alleging that it had come from Ireland.

On this profound note MPs trooped into the division lobbies and defeated the television proposition by a majority of 18 (176-158).

When a similar bill had been presented in January last year there had been a tied vote of 201-201. Yesterday's vote shows that the tide of opinion among MPs is moving against the introduction of TV—for the time being at least.

John Hunt

PM questioned on fate of Lech Walensa

Financial Times Reporter

THE PRIME MINISTER was questioned by anxious MPs in the Commons yesterday on the latest events in Poland, including reports that Solidarity leader Mr Lech Walesa has been arrested.

But Mrs Thatcher explained: "It is not easly to get accurate information."

Opposition leader Mr Michael Foot began brief exchanges when he spoke at Question Time of the "extremely anxious feelings" that everyone had about news that Mr Walesa may have been placed under arrest.

Mrs Thatcher told him that the Government's knowledge about what had happened to the leadership of the independent trade union in Poland was incomplete.

"We believe that a large number of Solidarity leaders have been detained, including the leadership of the Warsaw region," she said.

"Earlier reports suggested that Mr Walesa may not have been detained but may *have had* talks with the authorities in Warsaw.

"We have received no independent confirmation of this nor have we any further reports."

Mr Robert Rhodes-James (C Cambridge) said the factors which in the past had prompted a generous approach by the Western countries to Poland's very grave economic difficulties "do not obtain, in the views of many of us, under the present circumstances."

Tory rebels face vote on cuts in value of benefits

BY IVOR OWEN

LABOUR LEADERS are planning to provide a clear opportunity for Tory back benchers to oppose attempts to cut the real value of unemployment and sickness benefit by voting against the Government.

The Opposition scheme for *laying a parliamentary ambush* was outlined in the Commons last night when Mr Norman Fowler, the Social Services Secretary, again insisted that the extent of the uprating in social security benefits for the year to November 1982 must await the spring Budget.

Mr Brynmor John, Labour's shadow Social Services Minister, announced that the Opposition would seek a much earlier occasion to force a vote on the issue by tabling amendments *for the* report stage of the Social Security Housing and Benefits Bill, which is expected to come before the House early in the New Year.

He gave notice to Mr Edward Heath, the former Prime Minister, and other leading Tory back benchers who have been urging the Government to maintain the real value of unemployment benefit, that it would be an occasion when, without a satisfactory undertaking from the Government, their "fine words" would be expected to turn into votes.

Mr John, speaking in the second reading debate on the Bill which authorises increased national insurance contributions from April next year, claimed that the Opposition's strategem would upset the "smothering" tactics of Government whips.

Without the amendments planned by the Opposition, he said, the only opportunity for MPs to vote on the issue would have been on an Order increasing unemployment and other short-term security benefits by 10 per cent—2 per cent below the level needed to maintain their full value.

Parliamentary procedure would not permit the Order to be amended to increase the uprating to 12 per cent, so the Tory critics would have had no opportunity to cast an effective vote and would have had to be content with voicing their protests.

Mr John claimed that if there was no Tory rebellion it would show that in spite of all their agonising Mr Heath, Sir Ian Gilmour, the ex-Cabinet Minister and other leading Tory backbenchers were just captives of the Government's monetarist policy.

Mr Fowler renewed the pledge given earlier by Sir Geoffrey Howe, the Chancellor of the Exchequer, that the Government would take careful account of the views of MPs before reaching a decision on the extent of the uprating of social security benefits for the period November 1981 to November 1982.

He defended the disproportionate additional burdens being placed on employees by the Bill on the grounds that the Government had taken the right decision in limiting the additional costs falling on industry through national insurance contributions.

Mr Fowler said there were indications that the peak level of redundancies had passed.

"The general trend is that we would expect over the coming 12 months a progressive reduction in the number of redundancies."

Opposition hits at training plan 'compulsion for 16-year-olds'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Government's announcement of a new Youth Training Scheme to replace the Youth Opportunities Programme met *with strong criticism on the* Labour benches in the Commons yesterday.

The scheme offers a year's vocational training to all unemployed school leavers of 16. Mr Norman Tebbit, Employment Secretary, said the cost of the new scheme—together with expansion of other programmes would cost £4bn over three years.

But Labour MPs claimed there was a strong element of compulsion in it because unemployed 16-year-olds will cease to get supplementary benefit from 1983 when the scheme becomes fully operational.

Their only means of getting assistance will be to join the new programme, and they will receive an allowance of only £15 a week—a sum which was greeted with jeers from the Labour benches.

Some of the critics described it as nothing less than a new form of "civilian national service."

The accusations of compulsion were denied by Mr Tebbit. He declared: "It is really changing the meaning of words to *describe the* scheme as being compulsory."

He emphasised that, excluding the allowance, the Government would be spending four times more per youngster than on the YOP scheme which it will gradually replace.

Conservative MPs cheered the announcement and congratulated Mr Tebbit. Mr Michael Latham (Con, Melton) welcomed it as a step "to deal with the giant social evil of unemployment."

Mr Eric Varley, Labour's Industry spokesman, although critical of the statement, took a noticeably more moderate line than some of his back benchers.

He said that while his party welcomed an extension of educational training for the young the size of the allowance would be greeted with derision.

He told Mr Tebbit: "The Manpower Services Commission has brought forward imaginative and far reaching proposals. *But you are in danger of wreck*ing the initiative by a totally inadequate response."

According to Mr Varley, a scheme which had compulsion *but an* inadequate allowance would cause dismay among people working in the career service and provoke anger among the young unemployed.

A particularly strong attack came from Mr Frank Allaun (Lab, Salford East) who said he had received a letter from a woman in his constituency who had seen reports of the new scheme leaked in the Press.

The woman, who worked with young unemployed, declared that *it was compulsory* and *said:* "These young people will riot and regard this as a form of Hitler Youth."

Heatedly Mr Tebbit retorted: "If you believe that an appropriate response of youngsters is to go out and riot then I must say it speaks volumes for your line of thought."

He also hit back at Mr Alan Roberts (Lab, Bootle), who claimed that young people would regard it as "nothing less than enforced slavery."

Lloyd's insurance market 'not incestuous'

By John Moore

A HOUSE of Commons committee was told yesterday by the Alexander Howden Group that there are no incestuous relationships between insurance brokers and underwriters in the Lloyd's insurance market.

Mr Kenneth Grob, chairman of Alexander Howden Group, the financial holding company with extensive Lloyd's broking and underwriting interests, told the committee chaired by Mr Michael Meacher MP (Lab, Oldham West) that "in fact the reverse is true."

He said underwriters are suspicious if business is produced by brokers who have a shareholding connection with the management companies of underwriting syndicates.

Alexander Howden has lodged a petition with parliament opposing a key clause in the Lloyd's Bill for improving self-regulation in the Lloyd's market.

That clause calls for Lloyd's brokers, the buyers of insurance, to sell their links with Lloyd's underwriting managing agency companies. The agency companies run Lloyd's underwriting syndicates, the sellers of insurance. Parliament has identified conflicts of interest in that relationship and insisted that the links must end.

Mr Grob told the committee that his company, one of the eight largest brokers in Lloyd's, had not been called to give evidence to the working party chaired by Sir Henry Fisher. The working party had studied self-regulation of Lloyd's and the question of brokers' shareholding links with underwriters.

Mr Grob said that he opposed the new requirement because his group had a bigger involvement in underwriting than any other broker at Lloyd's "Divestment has a greater effect on us than anyone else."

Howden's underwriting profits, including the underwriting that the group does for a number of companies, account for about 50 per cent of its total profits.

"We believe it is impossible to isolate the Lloyd's part of the London insurance market," *said Mr Grob. "Lloyd's is an* integral part of London. We have a terrible fear the damage (of divestment) could spread."

Earlier Mr Reb Race (Lab., Wood Green), a member of the committee, pointed out that there might be ways in which brokers could avoid falling foul of the divestment clause.

Mr Ronald Taylor, chairman of Willis Faber, appearing for Lloyd's, said: "We will not only support divestment in the letter but also in the spirit."

Tatchell expected to lose NEC vote

By Margaret Van Hattem, Political Staff

SUPPORTERS OF Mr Michael Foot were last night confident of winning, by a slim majority, the backing of the party's national executive committee later today for the rejection of Mr Peter Tatchell as prospective parliamentary candidate for Bermondsey.

The NEC is expected to reject by an estimated 16 votes to 13 a move to refer the matter back to its organisation committee for further consideration, and to endorse Mr Foot's stand against Mr Tatchell.

Mr Tony Benn last night denounced the moves against Mr Tatchell as a right-wing plot to dislodge Mr Foot as party leader. Speaking in Rotherhithe at a rally in support of Mr Tatchell, he claimed that several Labour MPs had forced Mr Foot to disown Mr Tatchell against his will, by threatening to defect to the Social Democrats.

Their strategy, he said, was to undermine Mr Foot by forcing him to demand a purge against the left, to blame him for the bitterness and disunity such a purge would cause, and then to force his resignation and instal a right-wing leader who would extend the purge, discard conference policies, and prepare for a coalition with the SDP.

"The NEC can best safeguard Michael Foot's position by reversing its decision on Peter Tatchell and calling off the purge," he said.

Further support for Mr Tatchell was expressed by 28 Greater London councillors and 19 left-wing Labour MPs, who circulated a petition voicing their support for Mr Tatchell's controversial views.

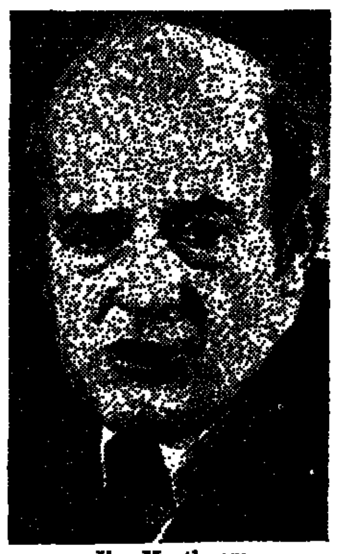
Mr Tatchell and Mr Ted Bowman, the acting chairman of the Bermondsey Labour Party, have also been invited to attend and to present their case—the first opportunity they will have had to make a formal defence of Mr Tatchell's selection.

Mr Benn's speech, which was *widely circulated earlier* in the day, brought a mixed reaction from his fellow MPs. Several who usually support him believed that this time he has gone too far. Right-wing MPs also denied the conspiracy claims and rejected suggestions, included in an earlier draft of Mr Benn's speech, that Mr Denis Healey was their preferred candidate. He would not, they said, stand a chance against Mr Peter Shore.

Jim Mortimer, great conciliator, brings new hope to Labour

BY CHRISTIAN TYLER, LABOUR EDITOR

THERE WAS a tang of optimism in the air at the Labour Party's Walworth Road headquarters last night after Mr Jim Mortimer was appointed the party's next general secretary.



Jim Mortimer: deep socialist conviction

Mr Mortimer, the 60-year-old former chairman of the Advisory Conciliation and Arbitration Service, is the perfect embodiment of the party that Mr Michael Foot is somewhat desperately trying to establish as a *future* government.

He combines a deep socialist conviction with a pragmatic distrust of those who frame demands impossible to realise. He has also an impeccable trade *union background* which could do much to weld again the political and industrial wings of the party.

Throughout a long and varied career as trade unionist, Government official, manager and ultimately industrial conciliator, Mr Mortimer has signally failed to make enemies. If his style is not overtly forceful, it is seen by his admirers on both sides of industry as consummately wise.

In the current climate of suspicion and internal dissent, Mr Mortimer's courtesy, modesty and charm will undoubtedly carry weight with the fractious national executive committee of the party.

He said last night that he sees his first job as to project the party's policy outwards—to win popular electoral support for the alternative economic strategy.

He is at one with the party conference on defence and the EEC. He wants a reduction in military expenditure, the closure of U.S. bases in Brtain, and is a nuclear unilateralist. He has also been a consistent opponent of Britain's membership of the Common Market.

Perhaps more telling, however, will be his views on industrial relations and the law. Mr Mortimer, who was put through the legal mill when at Acas—particularly in the Grunwick affair—has always argued for a collective bargaining rather than legal approach to the conduct of industrial relations.

On the political front, he has never disguised his commitment to radical change, but has always argued for it in the commonsense way which brooks no argument.

He declared yesterday that he was not interested in bans and proscriptions, but would not be drawn on the detail of Mr Foot's campaign against the far Left.

His own record suggests, however, that he will certainly oppose those on the far Left who show contempt for British institutions.

His first encounter with the Trotskyists back in 1937 taught him to distrust those who formulate impossible demands and then round on the trade unions for failing to win them.

Born in 1921, Mr Mortimer has been in the Labour Party for 37 years after a spell in the Young Communist League during the war. His family comes from Bradford, but he started work at 15 in the Portsmouth dockyard as a ship fitter. He became an active lay official of the Amalgamated Union of Engineering Workers, and then won a scholarship to Ruskin College, Oxford.

He also studied at the London School of Economics before joining the TUC economics staff alongside Mr Len Murray and Mr George Woodcock.

He became a national official of the Draughtsmens and Allied Technicians Association (which has now become TASS) and left after 20 years when he fell out with the then "ultra-left" forces in the union. He joined the Prices and Incomes Board.

He still believes that some kind of national partnership between the unions and Labour government is necessary, but stresses that what is now being called the "annual economic assessment" should include all wage and non-wage benefits.

Biffen: a Tory Gaullist guided by Gladstone

Peter Riddell on the philosophy of a nationalist Trade Secretary

"I want to have exchange with all the nations of the world, but if they will not exchange with me, then I am not a Free Trader at any price."

Joseph Chamberlain, speech in Greenock, 1903.

MR JOHN BIFFEN, the Trade Secretary, is a self-proclaimed nationalist. He sees himself in the tradition of predecessors in his present post such as Joseph Chamberlain and, to a lesser extent Gladstone. He claims the "advantages of being spiritually guided by both."

His brand of Tory Gaullism explains some of the paradoxes which commentators have seen in the Government's trade policy in recent months. They have contrasted repeated protestations of opposition to protection in general with support for barriers and subsidies in particular cases.

Mr Biffen will attempt to place this policy in a broader political and economic context in a speech later today.

European

Trade, he argues, has been central to British public life (as shown by the battles of the 1840s, the 1900s and the 1930s), but is no longer so. It is some time since there was a general trade debate either at the Tory conference or in the Commons.

But "there is a story to tell about trade." Mr Biffen believes. He thinks trade policy has attractions to he "full hydrological range" (from wets to dries).

His starting point is that the UK is essentially a "beneficiary of the open trading system" (which he prefers to the term *free trade*). About 70 per cent of UK trade is with free enterprise or market economies. It is good sense to keep an open trading policy, with a widening application to services as well as to manufacturing industry.

Mr Biffen argues that the importance of keeping trade unimpeded highlights aspects of the EEC congenial both to Gaullist Tories like himself and to supporters of the European Movement. This stress also enables Gaullist Tories to argue that the Labour Party desires not so much to alter the relationship with the EEC but to step up trade barriers.

This commitment should, however, be "tempered by an explicit determination to provide protection when rendered necessary for domestic considerations."

Mr Biffen concedes, for example, that the Multi-Fibre Arrangement is "straight protectionism."

"Britain supports those elements in the EEC "most determined to secure tough arrangements." Once "hooked" on such controls he says "withdrawal is unimaginable." No politician is willing to end the arrangement.

Ideologue

On the dialogue with the Japanese, Mr Biffen is determined "to emphasise the need for restraint in the speed with which the Japanese mount an offensive for British markets."

The aim is to "moderate the pace of change." He points out that a quarter of Japanese imports into the UK are constrained by voluntary agreements.

M Biffen notes that those exceptions relieve him from the charge of being a "free trade ideologue."

He says interesting political issues are raised by the 30 per cent of trade with markets which are substantially politically influenced, notably in the Third World. In words very similar to those used last week by Mr Peter Walker, the Agriculture Minister, Mr Biffen says that "a close political partnership between exporters and Government is needed in most of these markets to be in with a chance.

Mr Biffen highlights the increased commercial motivation of British embassies, the greater number and range of ministerial visits (including to specific events like the FT conference in New Delhi last January), the work of the Export Credits Guarantee Department and, in particular, of the aid and trade aspects of the aid budget.

His emphasis is on helping "Teesside as well as the starving millions." He would clearly like a growth in aid and trade (currently 8 per cent of bilateral aid) relative to multilateral support.

Mr Biffen argues that this support tends to go to the heavy end of British manufacturing industry—providing "an eloquent rebuttal to the charge of de-industrialisation"—and to parts of the country with the highest unemployment.

He maintains that companies will not receive this support unless they are essentially good in the first instance and in with a chance for large contracts.

He is not "propping up collapsing companies in the most embarrassing locations — the usual rationale for domestic regional policy."

> **'Companies will not receive support unless they are essentially good in the first place and in with a chance for large contracts. He is not propping up collapsing companies in the most embarrassing locations—the usual rationale for domestic regional policy.'**

Taxpayers

This approach does, however, raise a number of delicate questions. For a start, who does the selection of which companies to support? Does the Government have to pick winners? Mr Biffen says the choice of company which the Government backs in tenders for large overseas contracts is a business not a political decision. The British Overseas Trade Board consisting of businessmen has the job of agreeing on a single tender. In many cases only one British company is in a position to bid, though British groups were involved in both the consortia bidding for the Paradip steel mill in India earlier this year.

Secondly, how much aid should be given? Mr Biffen admits that this depends on the particular circumstances and on the judgment of all concerned about what is needed to match the competition.

Thirdly, how can taxpayers ever judge whether the support and subsidies have proved to be value for money? The problems of the Polish shipbuilding order have still not been forgotten. Mr Biffen concedes that there is no way of measuring returns in this way and says the decision to provide support is essentially a matter of political judgement.

Mr Biffen argues that a policy of putting money behind good sound companies in partnership *with government* can be presented as defensible to all types of Tory. It can be seen as hard-headed aid to that part of the British national output (exports) which will lead the recovery in activity. On his view, export orders now being booked will build up and improve upon 1981 order levels.

This approach might not, however, satisfy either Fabians or the free-market economists of the Institute for Economic Affairs. The former would want *a bigger aid programme without* strings and would find Mr Biffen's views uncomfortably chauvinistic. Mr Biffen believes that Government aid should aim to promote activity in the UK rather than be in the spirit of the Cancun summit.

Free market economists might argue that aid should be for charitable purposes and should not be aimed at bolstering manufacturing industry in the UK. They object to all politicisation and tying of trade.

John Biffen: Trade policy has attractions to the full hydrological range

Interventionist

Overall, Mr Biffen argues that his case has a lot of political interest to the Tory Party in its current lacklustre state.

The main elements of trade policy are not new, though the emphasis appears to have shifted. Nevertheless, Mr Biffen argues that since the election, and under Mr John Nott, his predecessor, trade has been given a more developed and more political view.

The Department of Trade has, he claims, been more vigorously interventionist with the creation of a specific Minister of Trade (now Mr Peter Rees).

Mr Biffen's essential aim is to gain political support by turning "the latent policy into English." And his policy is undoubtedly a particularly English one.

BASE LENDING RATES

A.B.N. Bank	14½%	■ Guinness Mahon	14½%
Allied Irish Bank	14½%	■ Hambros Bank	14½%
American Express Bk.	14½%	Heritable & Gen. Trust	14½%
Amro Bank	14½%	■ Hill Samuel	§14½%
Henry Ansbacher	14½%	C. Hoare & Co.	†14½%
Arbuthnot Latham	14½%	Hongkong & Shanghai	14½%
Associates Cap. Corp.	15 %	Knowsley & Co. Ltd.	15 %
Banco de Bilbao	14½%	Lloyds Bank	14½%
BCCI	14½%	Mallinhall Limited	14½%
Bank Hapoalim BM	14½%	Edward Manson & Co.	15½%
Bank of Cyprus	14½%	Midland Bank	14½%
Bank Street Sec. Ltd.	16 %	■ Samuel Montagu	14½%
Bank of N.S.W.	14½%	■ Morgan Grenfell	14½%
Banque Belge Ltd.	14½%	National Westminster	14½%
Banque du Rhone et de la Tamise S.A.	15 %	Norwich General Trust	14½%
Barclays Bank	14½%	P. S. Refson & Co.	14½%
■ Beneficial Trust Ltd.	15½%	Roxburghe Guarantee	15 %
Bremar Holdings Ltd.	15½%	E. S. Schwab	14½%
Bristol & West Invest.	16 %	Slavenburg's Bank	14½%
Brit. Bank of Mid. East	14½%	Standard Chartered	‖14½%
■ Brown Shipley	15 %	Trade Dev. Bank	14½%
Canada Perm't Trust	15 %	Trustee Savings Bank	14½%
Cavendish G'ty T'st Ltd.	15½%	TCB Ltd.	14½%
Cayzer Ltd.	15 %	United Bank of Kuwait	14½%
Cedar Holdings	15 %	Whiteaway Laidlaw	15 %
■ Charterhouse Japhet	15 %	Williams & Glyn's	14½%
Choulartons	15½%	Wintrust Secs. Ltd.	14½%
Citibank Savings	¶15 %	Yorkshire Bank	14½%
Clydesdale Bank	14½%		
C. E. Coates	15 %		
Consoliated Credits	15 %		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	14½%		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E.T. Trust	15 %		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15 %		
Grindlays Bank	‡14½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13% and over £50,000 13¼%.
‡ Call deposits £1,000 and over 12¼%.
§ Demand deposits 12½%.
‖ 21-day deposits over £1,000 13½%.
¶ Mortgage base rate.

Copies of this document, having attached thereto the documents specified in paragraph 12 of Appendix III, have been delivered to the Registrar of Companies for registration.
Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of the Company, now in issue and to be issued, to be admitted to the Official List.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Speyhawk public limited company ("the Company"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Speyhawk
public limited company

Placing by
Barclays Merchant Bank Limited

of 2,550,000 ordinary shares of 10p each at 115p per share

The ordinary shares of the Company which are the subject of this placing will rank in full for all dividends hereafter declared or paid on the ordinary share capital of the Company.
A proportion of the shares being placed are available in the market on the date of publication of this document.

SHARE CAPITAL

Authorised £		Issued and to be issued fully paid £
1,250,000	in 12,500,000 ordinary shares of 10p each	1,000,000

BORROWINGS

At the close of business on 2nd December, 1981 the Company and its subsidiaries ("the Group") had an outstanding unsecured bank overdraft of £1,581, secured bank overdrafts, of £92,526, a secured term loan of £300,000, mortgage loans of £239,513, outstanding hire purchase commitments of £2,700, a bank guarantee of £2,500 and an unsecured Director's loan account of £110,000. Save as disclosed above and disregarding indebtedness and guarantees within the Group, and contingent liabilities of the nature described in note (xvi) of the Accountants' Report, no member of the Group, as at that date, had any loan capital (including term loans) outstanding or created but unissued or any outstanding mortgages or charges, debentures or other loan capital or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

Directors Trevor Osborne, A.R.I.C.S.
Derek Parkes, B.Sc. (Econ.)
Brian Thomas Edward Shrubsall, M.C.I.O.B., F.F.B.
all of Saracen House, Saracen Place, Church Street, Twickenham TW1 3NJ.

Secretary and Registered Office
Richard John Burgess, F.C.A.
Saracen House, Saracen Place, Church Street, Twickenham TW1 3NJ.

Bankers Barclay Bank Limited,
15 Great Portland Street, London W1N 6BX.

Merchant Bankers Barclays Merchant Bank Limited,
15/16 Gracechurch Street, London EC3V 0BA.

Auditors and Joint Reporting Accountants
Oswald Ling & Son,
Provident House, 51 Wardwick, Derby DE1 1HN.

Joint Reporting Accountants Binder Hamlyn,
8 St. Bride Street, London EC4A 4DA.

Solicitors to the Company Williams & James,
3/4 South Square, Gray's Inn, London WC1R 5HZ.

Solicitors to the Placing Ashurst, Morris, Crisp & Co.,
Broadgate House, 7 Eldon Street, London EC2M 7HD.

Stockbrokers Sheppards and Chase,
Clements House, Gresham Street, London EC2V 7AU.

Registrars and Transfer Office Close Registrars Limited,
Arthur House, 803 High Road, Leyton, London E10 7AA.

INTRODUCTION

The Company was formed in September, 1981 to act as a holding company for the property development and construction activities which Trevor Osborne, Derek Parkes and Brian Shrubsall had previously carried on through Speyhawk Land and Estates Limited ("Speyhawk") and L. Tellings Limited ("Tellings").

Trevor Osborne's property development activities began in 1965 and since 1973 he has been developing properties under the "Speyhawk" name. In 1974 he acquired Tellings to assist with the construction work connected with his developments. In 1977 he formed Speyhawk with Derek Parkes to combine their property development experience and to take advantage of a changing trend in the financing of property development towards pre-funding by institutions. Since 1977 Trevor Osborne's property development activity has been concentrated in Speyhawk. *In 1978 it was decided to concentrate Tellings' activities on developments undertaken by Speyhawk.* Brian Shrubsall became a shareholder in Tellings when he joined as Managing Director in 1979.

BUSINESS

Speyhawk is engaged in the development of commercial and industrial property of a quality suitable for funding and purchase by pension funds, insurance companies and property unit trusts. Speyhawk's normal practice is to contract with institutions, prior to the commencement of building work, for the forward sale of its developments linked with the provision of development finance. These arrangements, which are described in more detail below, lessen the risks involved and reduce working capital requirements. Tellings is the main contractor *for Speyhawk's developments and undertakes a substantial part of the building work, thereby* ensuring greater control and flexibility over each development.

Developments

Speyhawk continued the policy previously pursued by Trevor Osborne of concentrating development activity in West London and the Thames Valley. Its operations have now been extended into other areas where high rental growth is expected, *including offices in the City of London and offices and factories in Hemel Hempstead* and Kings Langley, close to the proposed intersection between the M1 and M25 motorways.

Developments normally take at least two years to complete and details of five already completed and sold, which ranged in size from 8,000 sq.ft. to 28,000 sq.ft. are shown in Part A of Appendix I. The Group's current development programme, embracing over 20 properties, is set out in Part B of Appendix I and illustrates the *increasing scale of its activities in terms of the area of operation and the size and type of developments being* undertaken.

In 1980 the Group decided to expand its activities into North America and, after considering a number of opportunities with its professional advisers, an office building of 45,000 sq. ft. in New York was acquired early in 1981 to be refurbished, re-let and sold to an institution. At an early stage of this development, the site *became a key part of a major site assembly by another developer to whom it was sold at a substantial profit in* September, 1981.

Funding Arrangements

The funding arrangements with institutions are normally finalised prior to the commencement of building. Speyhawk, after securing the site, arranges for an institution to purchase it and to provide the funds necessary *to carry out the development. Speyhawk's development profit is generally calculated at the outset according* to a formula based on the capitalised value of an agreed minimum rent for the completed development less the site and development cost which includes a financing charge. This charge is at a fixed rate, which has always been less than the market rate of interest on borrowings, and on all current projects is 10 per cent. per annum. These arrangements protect Speyhawk from the present high cost of borrowing and from adverse fluctuations in interest rates.

Speyhawk retains the responsibility for letting each development and shares with the institution the benefit of any increase in capital value arising from any higher rent obtained above the agreed minimum. In most instances, if a development is not let by a predetermined date, the responsibility to assume the obligations of the lease falls on Speyhawk. This eventually has not occurred to date.

Certain smaller developments are undertaken utilising the Group's own resources.

Construction and Development Management

Tellings functions as main contractor for all Speyhawk's developments, carrying out a substantial part of the building work with its own labour force, supplemented by direct sub-contractors many of whom have worked with Tellings for a number of years. The remainder of the building and engineering work is performed by specialist sub-contractors. Tellings' management team, supported by experienced site agents, supervisors and foremen, provides detailed supervision at all stages of construction. Contracting work is also undertaken for other companies on a selective basis. The only current contract of this nature is with Trusthouse Forte Limited. Speyhawk co-ordinates and controls all other aspects of its developments. Its chartered surveyors are involved in the identification and acquisition of sites and in the funding and letting of developments, whilst its project managers co-ordinate each development from the pre-contract stage to completion. A team of outside professional consultants *appropriate for each development is chosen from a number of firms of architects, surveyors* and engineers to obtain the best design and construction advice available. The Directors consider that by strict adherence to this policy the Group has gained a reputation for the quality and design of its buildings.

MANAGEMENT

Group Management

Trevor Osborne, who is 38 years old, is Chairman of the Company, Speyhawk and Tellings and Joint Managing Director of Speyhawk. In 1966, after training as a chartered surveyor with Middlesex County Council, he entered private practice with Aviation Property Consultants. Later in the same year he left to concentrate on property development on his own account, beginning with the refurbishment of residential and commercial property and leading to the development of a number of substantial properties in the Windsor and Richmond areas. After forming Speyhawk with Derek Parkes in 1977 his other development activities were run down and terminated in 1979. A summary of the results of these operations is shown in the Accountants' Report below.

Trevor Osborne is the Leader of Wokingham District Council and was a member of a working party, supported by the Government, which produced a report on the future use of Britain's historic buildings.

Derek Parkes, who is 37 years old, is Joint Managing Director of Speyhawk. He graduated from the University of Wales in 1965 and has been involved in property development since 1969, originally with First National Finance Corporation Limited, moving in 1972 to The Fortress Trust Limited. In 1976 he started his own development company which led to joint projects with Trevor Osborne and the formation of Speyhawk.

Brian Shrubsall, who is 41 years old, joined Tellings in 1979 as Managing Director and is now also the Director of Speyhawk responsible for construction. He became a Director of Wiltshiers Limited in 1977, after a traditional craft apprenticeship in the building industry followed by a progression through most levels of site supervision and management.

Details of the service agreements of Trevor Osborne, Derek Parkes and Brian Shrubsall are set out in paragraph *5 (f) of Appendix III.*

Richard Burgess, who is 34 years old, is Group Accountant and Company Secretary and is responsible for the Group's financial affairs. After qualifying as a Chartered Accountant in 1971, he was employed by Stoy Hayward & Co. becoming a senior manager before leaving in 1978 to join the Grand Metropolitan group as Assistant to one of the divisional Finance Directors. He joined the Group in 1981.

Speyhawk Management

Andrew Whitehorn, B.Sc.Est.Man., A.R.I.C.S., who is 35 years old, joined Speyhawk in 1979 as a senior development surveyor. He was previously employed in a senior position in local government. In 1972 he became an Associate Member of the Royal Institution of Chartered Surveyors and has 13 years' experience in all aspects of valuation and development, with particular emphasis on the public sector.

Timothy Owen, B.Sc.Est.Man., A.R.I.C.S., who is 29 years old, joined Speyhawk in 1979 as a senior development surveyor with particular emphasis on commercial development. He graduated in 1974 and joined the British Rail Property Board. He gained subsequent experience in property management and investment with a property company.

Ian Harris, who is 26 years old, *joined Speyhawk in 1980 as a development surveyor with particular responsi*bility for industrial developments. His experience includes periods with industrial estate agents and other development companies, including Percy Bilton Limited and the Hunting Gate group.

John Houghton, B.Sc., A.R.I.C.S., who is 33 years old, joined Speyhawk in 1981 as a senior project manager. He graduated in 1970 in Building Technology and Management. His 11 years' experience in the construction industry has included training with George Wimpey Limited, 6 years managing a design and build department with C. H. Pearce & Sons Limited, and latterly a period as a project manager responsible for commercial development with Rush & Tompkins Group Limited.

Graham Norcombe, who is 35 years old, joined Speyhawk in 1980 as a project manager after having gained 13 years' experience in contracting, including 10 years with Wiltshiers Limited, where he held a senior quantity surveying post.

Tellings Management

Keith Fraser, who is 39 years old, has been a director of Tellings since 1974. His extensive experience in the construction industry includes 2 years with Sir Lindsay Parkinson & Company Limited and 8 years with *George Wimpey Limited. He is responsible for administration, purchasing, plant and transport.*

Graham Gordon, who is 35 years old, joined Tellings in 1977 and became a Director in 1981. His considerable experience includes periods with chartered quantity surveyors and building contractors, including 6 years with J. Jarvis & Sons Limited. He is responsible for quantity surveying, estimating and costing.

Employees

The Group has 112 employees of whom 53 are skilled tradesmen employed by Tellings. The Group operates a contributory pension scheme which is available to all employees. The Group intends to introduce a share incentive scheme in 1982.

BRIEF INFORMATION

The following information is derived from the full text of this document and accordingly must be read in conjunction with that text.

Business The Group is engaged in the development and construction of commercial and industrial property of a quality suitable for funding and purchase by pension funds, insurance companies and property unit trusts.

Issued share capital after the placing *£1,000,000 in 10,000,000* ordinary shares of 10p each.

Share statistics

Placing price	115p
Market capitalisation at the placing price (based on the shares in issue after the placing)	£11.5m
Forecast profit before taxation for the year ending 30th September, 1982	£2.7m
Price earnings multiple based on forecast profit before taxation for the year ending 30th September, 1982 and the shares in issue after the placing:	
on estimated effective tax charge of 16 per cent.	5.1
on notional tax charge of 52 per cent.	8.9
Net tangible assets per share at 30th September, 1981 adjusted to reflect the net proceeds of the placing	30.2p
Gross dividend yield at the placing price on the basis of forecast dividends of 7p net per share (10p gross) for the year ending 30th September, 1982	8.7%

PREMISES

The Group operates from two offices in Church Street, Twickenham.

The main office is Saracen House, which consists of 5,800 sq. ft. held on a 25 year lease at a current annual rent of £27,550 with five-yearly reviews, the first of which is due in 1983.

The Group also occupies offices of 2,000 sq. ft. at 46/47 Church Street which form part of one of the Group's developments. Speyhawk currently owns a 98-year head lease of the whole property, which it expects to sell whilst remaining as tenant of the offices.

PROFIT RECORD

The financial statements of the Group for the five years ended 30th September, 1981 are set out in the Accountants' Report below.

Developments normally take at least two years to complete and, except for any profits arising on the sale of sites prior to development, the Group's accounting policies allow sales to be recognised and profits to be taken only when a development is completed and let. Consequently Speyhawk's first two full years of operations did not begin to be reflected in the Group's results until the year ended 30th September, 1980 when Group *turnover and profit before taxation reached £4,752,000 and £549,000 respectively. The increasing size and* number of developments being undertaken by the Group were responsible for the further significant increase in turnover and profit before taxation to £11,309,000 and £1,519,000 respectively during the year ended 30th September, 1981, when the results also benefited from the sale of the property in New York, which contributed approximately 37 per cent. of operating profit excluding exchange gains.

Tellings, as a result of having accepted a number of low margin contracts in order to maintain its operating capabilities, incurred losses during the years ended 30th September, 1978 and 1979. Subsequently it concentrated on construction work for Speyhawk on an arm's length basis and now makes a material contribution to Group profits.

PROFIT FORECAST AND DIVIDENDS

On the basis of the assumptions set out in Appendix II and in the absence of unforeseen circumstances, the Directors forecast that profit before taxation for the year ending 30th September, 1982 will be not less than £2,700,000.

The profit from the large development in the City of London, Sir John Cass House, is expected to arise in the *second half of the year. Consequently, the profit before taxation for the first six months is expected to form only* a small part of the forecast profit for the full year.

On the basis of the above forecast, the Directors intend to recommend dividends in respect of the year ending 30th September, 1982 of 7p per share, net of the related tax credit assumed at 3/7ths, which is equivalent to a gross payment of 10p. The dividend would be payable as to 2p per share in July, 1982 and 5p per share in January, 1983.

Assuming an estimated effective tax rate of 16 per cent. and a notional corporation tax rate of 52 per cent. this profit forecast would be allocated as follows:—

	estimated tax £'000	notional tax £'000
Profit before taxation	2,700	2,700
Taxation	430	1,404
Profit after taxation	2,270	1,296
Dividends (for waivers see below)	700	700
Profit retained (before dividend waivers)	1,570	596
Earnings per share	22.7p	13.0p
Price earnings multiple at the placing price	5.1	8.9
Gross dividend yield at the placing price	8.7%	8.7%

The Directors intend to waive their entitlement to dividends for this period, except for a nominal 0.1p per share in respect of their beneficial interests of 6,804,623 shares. This would have the effect of reducing the dividend paid from £700,000 to approximately £230,500.

REASONS FOR THE PLACING

The Directors believe that the Company will benefit from its status as a listed company particularly when negotiating with funding institutions, public bodies and local authorities.

The placing will raise approximately £2,614,000, net of expenses, of which £1,758,000 will be received by the Company, increasing the net tangible assets to approximately £3,024,000. Existing shareholders will be selling shares as listed in paragraph 4 of Appendix III.

The additional resources available to the Company as a result of the issue will enable it to purchase sites for development without the need for prior negotiation of outside finance. The expansion of the Group's asset base will also assist in establishing a property investment portfolio.

PROSPECTS

The Group's current development programme, which extends into 1984, is expected to have a total value on completion in excess of £50 million which compares with a total value of developments completed and sites sold from the formation of Speyhawk to 30th September, 1981 of approximately £15 million. In addition there are a number of other developments at an early stage of the planning process or under preliminary consideration which should contribute to profits in 1984 and beyond. The Group intends to undertake further projects in North America as opportunities arise which accord with the Group's overall development philosophy.

The Directors believe that institutional funds will increasingly be directed towards the pre-funding and purchase of property developments undertaken by companies with proven records of performance. The Group has formed strong links with a number of institutions and is confident of continued support for its expanding development programme.

The Directors believe that the Group is soundly based and with the benefit of the funds raised is well placed to continue its growth.

ACCOUNTANTS' REPORT

The following is a copy of a report to the Directors of the Company and to Barclays Merchant Bank Limited made by Binder Hamlyn, Chartered Accountants, and the auditors, Oswald Ling & Son, Chartered Accountants.

The Directors
Speyhawk public limited company
and
The Directors
Barclays Merchant Bank Limited

14th December, 1981

Gentlemen,

Report on the audited accounts 1977 to 1981

Speyhawk public limited company ("the Company") was incorporated on 18th September, 1981 to acquire the whole of the issued share capitals of Speyhawk Land and Estates Limited ("Speyhawk"), L. Tellings Limited ("Tellings") and Speyhawk Investments Limited ("Investments"). The financial information set out below is presented as if the Company and its subsidiaries ("the Group") as presently constituted had been in existence throughout the period covered by this report and as if the subsequent movements in share capital and share premium relating to the Company's acquisition of Speyhawk, Tellings and Investments had taken place on 30th September, 1981.

We have verified the turnover and results of other development activities undertaken by Trevor Osborne or companies within his control for the period 1st October, 1976 to 30th September, 1979 as set out below the Group Profit and Loss Accounts.

We have examined the audited accounts of Speyhawk for the period from 1st July, 1977 (the date of incorporation) to 30th September, 1981, and those of Tellings for the five years ended 30th September, 1981. The accounts of Speyhawk for the year ended 30th September, 1981 incorporate the results of its wholly-owned subsidiary, Speyhawk New York Corporation ("S.N.Y.C.") for the period 21st January, 1981 (the date of inception) to 30th September, 1981. Investments, which was incorporated on 21st September, 1981, has not commenced business.

The accounts of Speyhawk and Tellings throughout the relevant period have been audited by Oswald Ling & Son. The accounts of S.N.Y.C. for the period ended 30th September, 1981 have been audited by Binder Dijker Otte & Co. of 15 Columbus Circle, New York, N.Y. 10023.

The financial information presented below is based on the audited financial statements after making such adjustments as we consider appropriate. In our opinion the financial information, which has been prepared under the historical cost convention, gives a true and fair view of the state of affairs of the Company and of the Group at 30th September, 1981 and of the related results and source and application of funds of the Group for the period 1st October, 1976 to 30th September, 1981 on a consistent basis.

The Directors have decided that it is *not* appropriate for the Group to comply with the requirement to publish current cost accounts contained in Statement of Standard Accounting Practice No. 16 (SSAP 16) as they consider that the adjustments envisaged by SSAP 16, particularly in relation to development expenditure and monetary working capital, would not produce meaningful or helpful information. In arriving at this decision the Directors have considered the difficulty of ascertaining, with any degree of accuracy, the current cost of the land element of developments in progress and the immateriality of the effect of current cost adjustments relating to fixed assets and working capital. We concur with the Directors' decision.

There have been no audited accounts of any companies in the Group since 30th September, 1981, save for the Company balance sheet prepared pursuant to Section 5 of the Companies Act 1980 for the re-registration of this Company as a public limited company.

Basis of consolidation

The accounts of Speyhawk and Tellings have been made up to 30th September in each year. The first accounts of Speyhawk were made up to 30th September, 1978 and therefore Group figures for 1977 reflect Tellings' accounts only.

The accounts of Speyhawk's former wholly-owned subsidiary, Hill Street Properties Limited, and of Tellings' former wholly-owned subsidiary, Hind Construction Limited, have not been consolidated as both companies were sold on 30th September, 1981.

Accounting Policies

The principal accounting policies, which have been consistently applied in preparing the financial information in this report, are as follows:—

(a) Basis of accounting

The accounts have been prepared under the historical cost convention modified only by the revaluation of a freehold property in 1979.

(b) Turnover

Turnover, which excludes value added tax, represents:
(i) Sales values of property developments completed and let during the year.
(ii) Sales of sites during the year.
(iii) *Certified contract work for third parties.*

(c) Recognition of profits

Profit for the year represents profits less losses on developments completed and let by 30th September in each year and profits less losses on the sale during the year of sites.

Profits arising from third party building contracts are recognised, where appropriate, during the course of the contracts.

(d) Developments in progress

The basis of valuation of development expenditure is the lower of cost and net realisable value. Progress payments received *prior to completion of the development are deducted from development expenditure. Full provision is made for anticipated* losses. Cost includes costs of acquisition and development to date including directly attributable fees, expenses and finance charges less related rental income; properties and sites are treated as acquired on the date of completion of the contract to purchase.

(e) Stock and work in progress

Stock is valued at the lower of cost and net realisable value.

Work in progress is represented by the gross contract value to the stage completed, less amounts receivable in respect of architects' certificates and includes, where appropriate, profit earned to date. Full provision is made for anticipated losses.

(f) Fixed assets and depreciation

Fixed assets are stated at original cost to the Group less accumulated depreciation, with the exception of a freehold property professionally valued by independent chartered surveyors in 1979 and sold in 1980.

Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their expected useful lives at the following rates:

Plant and machinery	25%
Motor vehicles	20%
Office furniture and equipment	15%

(g) Deferred taxation

Deferred taxation is provided on the liability basis except where the Directors are satisfied that no amount will become payable in the foreseeable future. At 30th September, 1981 no such provision was considered necessary.

(h) Foreign exchange

Assets and liabilities have been translated into sterling at the rate of exchange ruling at the date of the balance sheet. The trading results of S.N.Y.C. have been translated into sterling *at the average rate for the period. Differences arising on* consolidation of reserves, investments, related loans and current accounts are taken to reserve. All other differences are taken to the profit and loss account.

GROUP PROFIT AND LOSS ACCOUNTS

The Group profits and losses for the period under review are as follows:—

	Notes	1977 £'000	1978 £'000	1979 £'000	1980 £'000	1981 £'000
		Years ended 30th September,				
Turnover:						
Developments and sites		—	310	529	3,868	10,380
Third party building work		2,217	1,859	846	886	929
		2,217	2,169	1,375	4,752	11,309
Cost of sales	(i)	2,148	2,393	1,462	4,036	9,005
Operating profit (loss)		69	(224)	(87)	716	2,304
Other income		—	1	10	23	12
Interest payable	(ii)	(11)	(43)	(27)	(190)	(799)
Profit (loss) before taxation		58	(266)	(104)	549	1,519
Taxation	(iii)	10	(39)	—	7	611
Profit (loss) after taxation		48	(227)	(104)	542	908
Extraordinary items	(iv)	28	2	(15)	199	4
Profit (loss) for the year		20	(229)	(89)	343	904
Earnings per share	(v)	0.48p	(2.27p)	(1.04p)	5.42p	9.08p

Note: The 1977 figures above relate only to Tellings.

The Group profit and loss accounts above do not include the turnover and profits of other development activities undertaken by Trevor Osborne or companies within his control for the period 1st October, 1976 to 30th September, 1979 set out below:

	1977 £'000	1978 £'000	1979 £'000
Turnover	1,201	1,148	581
Profit before taxation	340	293	107

GROUP BALANCE SHEETS

The balance sheets of the Company as at 30th September, 1981 and of the Group at 30th September, 1977 to 1981, amended by the subsequent movements in share capital and share premium shown in note (xiv), are as follows:—

	Notes	1977	1978	1979	1980	1981	The Company 1981
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	(vi)	154	183	189	185	222	—
Subsidiary companies	(vii)	—	—	—	—	—	1,266
Subsidiary companies not consolidated	(viii)	35	120	363	125	—	—
Current assets:							
Developments in progress	(ix)	194	509	883	2,886	2,555	—
Stock and work in progress		344	26	348	220	134	—
Debtors		292	213	412	495	624	—
Bank balances		1	2	142	10	1,812	—
		831	750	1,783	3,611	5,125	—
Current liabilities:							
Creditors		335	287	1,087	1,738	2,425	—
Bank and other loans	(x)	338	613	578	1,147	540	—
Bank overdrafts	(xi)	152	119	321	328	172	—
Taxation	(xii)	6	(7)	(6)	8	619	—
Hire purchase commitments		18	12	22	12	—	—
Directors' current accounts		15	7	7	—	—	—
		867	1,011	1,990	3,233	3,756	—
Net current assets (liabilities)		(36)	(261)	(207)	378	1,369	—
Deferred taxation		(32)	—	(18)	—	—	—
Loan account	(xiii)	—	(100)	(415)	(415)	(325)	—
Share capital and reserves	(xiv)	121	(88)	(88)	273	1,266	1,266

Note: The 1977 figures relate only to Tellings.

GROUP SOURCE AND APPLICATION OF FUNDS

	Years ended 30th September.				
	1977	1978	1979	1980	1981
	£'000	£'000	£'000	£'000	£'000
Source of funds					
Profit (loss) before taxation	58	(268)	(104)	549	1,519
(Profit) loss on sale of fixed assets	(1)	—	(2)	(12)	3
Depreciation	14	18	33	50	69
Exchange gain	—	—	—	—	89
Generated from operations	71	(248)	(73)	587	1,680
Sale of fixed assets	4	22	73	75	12
Loans	248	218	116	433	429
Loan from Mr. and Mrs. T. Osborne	—	100	315	—	(90)
Issue of shares:—					
Speyhawk and Tellings	63	20	80	—	—
	384	112	511	1,095	2,031
Application of funds					
Purchase of fixed assets	77	39	109	109	121
Purchase of shares in subsidiaries not consolidated	42	75	—	—	—
Loans to subsidiary not consolidated	23	12	231	(38)	(121)
Repayment of loans	—	230	218	30	—
Taxation paid (recovered)	13	6	(2)	(6)	—
	155	362	556	94	—
Increase (decrease) in working capital					
Developments in progress	194	315	374	2,003	(331)
Stock and work in progress	291	(318)	320	(126)	(86)
Debtors	104	(78)	199	83	129
Creditors	(182)	85	(810)	(654)	(675)
	382	385	639	1,400	(963)
Increase (decrease) in net liquid funds					
Bank overdraft	(114)	33	(202)	(7)	156
Short term bank loans	(84)	(287)	(66)	(166)	1,036
Cash and bank balances	—	1	140	(132)	1,802
	(198)	(253)	(128)	(305)	2,994

Note: The 1977 figures relate only to Tellings.

Notes to the Group accounts:

	Years ended 30th September.				
	1977	1978	1979	1980	1981
	£'000	£'000	£'000	£'000	£'000
(i) Cost of sales includes:					
Depreciation	14	18	33	50	69
Hire of plant	22	47	88	210	203
Directors' emoluments	—	4	31	61	72
Auditors' remuneration	3	8	9	14	25
Exchange gain	—	—	—	—	(142)
(ii) Interest payable comprises:					
Interest payable	(11)	(43)	(38)	(210)	(815)
Less: Interest receivable	—	—	11	20	16
	(11)	(43)	(27)	(190)	(799)
(iii) Taxation					
The taxation charge (credit) comprises:					
Corporation tax at 52%	2	(7)	—	7	222
Deferred taxation	8	(32)	—	—	—
Overseas taxation	—	—	—	—	389
	10	(39)	—	7	611

At 30th September, 1981 Speyhawk has tax losses carried forward of approximately £1,800,000 due mainly to the incidence of stock relief.

	1977	1978	1979	1980	1981
(iv) Extraordinary items					
Provisions in respect of interests in subsidiaries not consolidated	28	2	—	199	4
Profit on sale of freehold property	—	—	(15)	—	—
	28	2	(15)	199	4

(v) Earnings per share
Earnings per share have been calculated by dividing the profit (loss) after taxation but before extraordinary items for each year by 10,000,000 being the number of ordinary shares of 10p each in issue following completion of the placing.

(vi) Fixed assets
The fixed assets of the Group at 30th September, 1981 comprise:—

	Cost £'000	Depreciation £'000	Net book amount £'000
Plant and machinery	72	40	32
Office furniture and equipment	82	28	54
Motor vehicles	217	81	136
	371	149	222

(vii) Subsidiary companies
The interest in subsidiary companies at 30th September, 1981 comprises shares at cost.
Details of these subsidiary companies are:

Company	Date of incorporation	Country of incorporation	Share Capital: Issued and fully paid	Share Capital: Percentage held
Speyhawk Land and Estates Limited	1st July, 1977	England	£100,000	100%
Speyhawk New York Corporation	21st January, 1981	U.S.A.	$1,000	100%
L. Tellings Limited	24th March, 1972	England	£120,295	100%
Speyhawk Investments Limited	21st September, 1981	England	£2	100%

The share capital of Speyhawk New York Corporation is held by Speyhawk Land and Estates Limited.

On 2nd December, 1981 Speyhawk's issued share capital was increased to £120,000. The existing 100,000 ordinary shares of £1 each were converted into 100,000 deferred shares and 20,000 new ordinary shares of £1 each were issued by way of capitalisation of reserves. On 2nd December, 1981 Tellings' issued share capital was increased to £144,354. The existing 120,295 ordinary shares of £1 each were converted into 120,295 deferred shares and 24,059 new ordinary shares of £1 each were issued by way of capitalisation of reserves.

(viii) Subsidiary companies not consolidated
The interest in subsidiaries not consolidated represents the investments in and the amounts owing on current account by Hind Construction Limited and Hill Street Properties Limited. The amounts are stated net of provisions.

(ix) Developments in progress
Development expenditure at 30th September, 1981 comprises:—

	£'000
Land	7,886
Interest	883
Fees and expenses	1,283
Building costs	3,925
	13,987
Less: Progress payments	11,302
	2,685

Interest on monies advanced in respect of development expenditure is carried forward as indicated above and is not treated as a deduction for corporation tax purposes until the building is sold and the related development expenditure is charged to profit and loss account. Amounts of interest carried forward in respect of development expenditure in earlier years were:—

	£'000
1977	Nil
1978	Nil
1979	161
1980	504

All other interest is charged to profit and loss account in the year in which it is incurred.

(x) Bank and other loans
The bank and other loans at 30th September, 1981 are secured and comprise two mortgage loans totalling £240,000, one repayable over 20 years ending 1989, the other repayable over 15 years ending 1995 and a term loan of £300,000 repayable in 1984.
The loans are secured on certain of Speyhawk's development properties and are repayable as follows:—

	£'000
In between two and five years	300
In five years or more	240
	540

The loans are included under current liabilities as the developments upon which the loans are secured are likely to be sold within one year.

(xi) Bank overdrafts
The Group's bank overdraft at 30th September, 1981 was unsecured.

(xii) Current taxation
The overseas taxation amounting to £389,000 will not become payable before November, 1982.

(xiii) Loan account
The loan account, which represents amounts owing to Mr. and Mrs. T. Osborne, is unsecured and interest free.

(xiv) Share capital and reserves
Movements in share capital and reserves during the five years ended 30th September, 1981 were:—

	1977	1978	1979	1980	1981
	£'000	£'000	£'000	£'000	£'000
Reserves:					
Balance brought forward	(20)	—	(229)	(309)	52
Retained profits (losses) for the year	20	(229)	(89)	343	904
Exchange gain	—	—	—	—	89
Surpluses on revaluation:					
Property	—	—	16	—	—
Shares in subsidiary companies not consolidated	—	—	11	—	—
Deferred taxation	—	—	(18)	18	—
Balance carried forward	—	(229)	(309)	52	1,045
Share Premium	1	1	1	1	1
Share Capital:					
Tellings	120	120	120	120	120
Speyhawk	—	20	100	100	100
	120	140	220	220	220
Share capital and reserves	121	(88)	(88)	273	1,266

The surplus on revaluation of freehold property arising in 1979 was transferred to revenue reserves in 1980 following the sale of the property.
The authorised share capital of the Company at 30th September, 1981 was £250,000 divided into ordinary shares of £1 each.

The movements in issued share capital and in share premium account on 2nd December, 1981 which have all been treated for the purposes of this report as having occurred on 30th September, 1981 have been as follows:—

	Issued share capital	Share premium account
	£'000	£'000
Shares issued at a premium as consideration for the acquisition of the whole of the issued share capital of:—		
Speyhawk	78	914
Tellings	22	252
	100	1,166

No dividends have been paid by any companies in the Group.

(xv) Capital commitments
Neither the Company nor the Group had any material capital commitments at 30th September, 1981.

(xvi) Contingent liabilities
(a) There are contingent liabilities in the normal course of business including the liability of Speyhawk to take leases under development agreements in the event of the property concerned not being let to a third party on completion. At 30th September, 1981 Speyhawk held no such leases.
(b) Since 30th September, 1981 Speyhawk has been released from a guarantee in respect of the bank borrowings of its former subsidiary.

Yours faithfully,

BINDER HAMLYN
Chartered Accountants

OSWALD LING & SON
Chartered Accountants

APPENDIX I

Property	Description	Lettable floor area (net) available for institutional purchase	Funded by
A. Developments completed and sold by 30th September, 1981			
1. Crown House, Windsor	Site acquired from United Reformed Church to provide (i) a new church and office suite for its own use (ii) a commercial development of 3-storey office building which was completed and let to the Property Services Agency in 1980	11,000 sq. ft.	Nestlés Pension Trust Limited
2. Teddington House, Teddington	Site acquired from The London Diocesan Fund of the Church of England to provide (i) a new church and vicarage (ii) retail area with offices above for which leases were arranged as follows (a) for the office space with Expanded Metal Company Limited (b) for the retail space with Boots the Chemist Limited, Lavells Limited, Inteforma (U.K.) Limited and Ripolin Limited. This part of the development was completed and let in 1980 (iii) 8 flats above the retail and office area; built and let on short-term leases to commercial occupants. This part of the development has been contracted to be sold to Trevor Osborne; see material contract (b) in Appendix III (iv) 16 flats on another part of the site which were sold during 1980 and 1981	8,000 sq. ft. of offices and 14,000 sq. ft. of retail	NFC Trustees Limited
3. Constable House, Windsor	Redevelopment of former Police Station, Magistrates' Court and Fire Station to provide (i) a 3-storey office building completed and let to A.E.S. Wordplex Limited in 1980 which had been pre-sold to the Australian Mutual Provident Society (ii) an art centre with a 200-seat auditorium as a civic amenity	8,400 sq. ft.	Own resources
4. Fraser House, Twickenham	Retail and office development on four floors which was completed and let to The Automobile Association Limited in 1981	8,000 sq. ft.	Nestlés Pension Trust Limited
5. Templar House, Harrow	Development of 6-storey office building which was completed and let to Dae Woo Industrial Company (U.K.) Limited in 1981	28,000 sq. ft.	Boots Pensions Limited
B. Current Developments			
1. Thames House, Isleworth	Development of 2-storey office building completed and let to Abbey Life Assurance Company Limited in October, 1981	4,400 sq. ft.	Findus Pension Trust Limited
2. 46/47 Church Street, Twickenham	Long leasehold building providing office space, currently occupied by the Group, and 2 shops. Sale of the development is expected in 1982	2,600 sq. ft. of offices, plus 800 sq. ft. of retail	Own resources
3. Hampton Road, Twickenham	Renovation and refurbishment of office building let to Twickenham Travel Limited. Sale of the development is expected in 1982	3,000 sq. ft.	Own resources
4. Sir John Cass House, Jewry Street, London EC3	Development of 10-storey building subject to an agreement for lease to Thos. R. Miller & Son (Insurance) Limited. Construction is expected to be finished by Spring, 1982	36,400 sq. ft. of offices, 20 basement car parking spaces and 3 floors of residential accommodation	Kleinwort Benson Limited (as trustee of The Vauxhall and Associated Companies Pension Fund)
5. Willoughby House, Richmond Bridge	Development of 3-storey office building part of which will be in a restored listed grade II 18th century villa. Construction is expected to be finished by Summer, 1982	9,600 sq. ft.	Pilkington Brothers Superannuation Trustee Limited and Pilkington Superannuation Investments Limited
6. Spencer House, Richmond	Development of 4-storey office building. Construction is expected to be finished by Summer, 1982	27,000 sq. ft.	Merchant Navy Officers Pension Fund
7. Albion Hill, Hemel Hempstead	Development of 4-storey office building. Under negotiation for a lease to Model & Allied Publications Limited. Construction is expected to be finished by early Autumn, 1982	18,750 sq. ft.	Under negotiation with ICL Pension Fund
8. St. Catherine's House, Feltham	Site acquired from the London Diocesan Fund of the Church of England. Development of 4-storey office building incorporating a grade II listed church spire. Construction is expected to be finished by Autumn, 1982	13,700 sq. ft.	Lloyds Bank Limited (as Trustee of the Schroder Property Fund for Pension Funds and Charities)
9. Whittington Avenue, London EC3	Leasehold interest acquired of office space at nominal ground rent. The entire building is being refurbished and is in the process of being let to an insurance company	4,000 sq. ft.	Own resources
10. 70 George Street and 20/22 The Green, Richmond	Redevelopment of a site in central Richmond to provide retail space fronting George Street, offices in a renovated Georgian building fronting Richmond Green and new 3-storey building over a basement car park. Subject to revision of planning consent. Construction is expected to be finished by Winter, 1982	12,350 sq. ft. of offices, plus 8,100 sq. ft. of retail	Robert Fleming Trustee Co. Limited
11. Lower Square, Old Isleworth	Redevelopment of 3-storey office building on a Thames-side site to include the renovation of a grade II listed building. Construction is expected to be finished by Spring, 1983	16,250 sq. ft.	Under negotiation with Kleinwort, Benson (Trustees) Limited (as trustees of the Kleinwort Benson Property Fund)
12. Home Park Mill, Kings Langley	Development of a 9.5 acre site to provide industrial space of which 105,000 sq. ft. has been pre-let to Automatic Revenue Controls Limited, Astra Pharmaceuticals Limited and Maine Engineering Limited. The development is expected to be finished by Winter, 1983	160,000 sq. ft.	Hambro Life Assurance P.L.C.
13. 435/459 Richmond Road, Richmond Bridge	Development of retail, office and residential space on a long leasehold site next to Willoughby House. Construction is yet to begin	4,500 sq. ft.	Own resources
14. Mark Road, Hemel Hempstead	Contracts exchanged on a 2 acre industrial site for factory development. Construction is yet to begin	45,500 sq. ft.	Under negotiation with The Equitable Life Assurance Society Limited
15. Fielden House, Bracknell	Selected by the Bracknell Development Corporation for the development of 3-storey office building for office and retail use. Construction is yet to begin	11,300 sq. ft. of offices plus 4,500 sq. ft. of retail	Under negotiation with Hoover Pension Fund
16. Queen Caroline House, Hammersmith	Development of 5-storey office building in central Hammersmith. Construction is yet to begin	24,400 sq. ft.	Being sought
17. The Commodore, Hammersmith	Contracts exchanged for a freehold site for the development of 4-storey office building. Construction is yet to begin	23,600 sq. ft.	Being sought
18. Site adjoining Constable House, Windsor	Freehold site for office development. Construction is yet to begin	3,000 sq. ft.	To be sought
19. Blue School, Old Isleworth	It has been agreed subject to contract to acquire this property involving renovation of a grade II listed building to provide office space on 2 floors. Construction is yet to begin	4,000 sq. ft.	Under negotiation with a pension fund
20. High Street, Brentford	In the process of completing the site assembly for 3-storey office development of some 15,000 sq. ft. for which planning application will be made shortly. Construction is yet to begin	—	To be sought
21. Vastern Road, Reading	Selected by the National Freight Company to develop a 3 acre industrial and office site. The site acquisition contract will be made conditional upon planning permission which will be applied for in Spring, 1982. Construction is yet to begin	—	To be sought

APPENDIX II

PROFIT FORECAST

1. The forecast profit of £2,700,000 before taxation for the Group for the year ending 30th September, 1982 is based on the following principal assumptions:—
(a) that construction and development work will not be affected by industrial disputes or adverse weather conditions or otherwise abnormally delayed;
(b) that there will be no significant change in rental levels;
(c) that there will be no changes in legislation or local authority regulations which would affect the Group;
(d) that the rate of inflation will be broadly in line with that currently being experienced;
(e) that no material claims relating to developments or otherwise will be made against the Group; and
(f) that there will be no material changes in the rates and bases of taxation on property.

2. The following are copies of letters to the Directors of the Company relating to the profit forecast for the year ending 30th September, 1982:—
(a) Letter from the Joint Reporting Accountants, Binder Hamlyn and Oswald Ling & Son:

Binder Hamlyn
8 St. Bride Street
London EC4A 4DA

Oswald Ling & Son
Provident House
51 Wardwick
Derby DE1 1HN
14th December, 1981

The Directors
Speyhawk public limited company

Dear Sirs,
We have reviewed the accounting bases and calculations for the profit forecast of Speyhawk public limited company ("the Company") and its subsidiaries ("the Group") for the year ending 30th September, 1982, as set out in the document to be dated 14th December, 1981 and issued in connection with the placing of 2,550,000 ordinary shares in the Company, for which profit forecast the Directors are solely responsible.
In our opinion, so far as the accounting bases and calculations are concerned, the profit forecast has been properly compiled on the footing of the assumptions made by the Directors set out in the document and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

BINDER HAMLYN
Chartered Accountants

OSWALD LING & SON
Chartered Accountants

(b) Letter from Barclays Merchant Bank Limited:

15/16 Gracechurch Street
London EC3V 0BA
14th December, 1981

The Directors
Speyhawk public limited company

Dear Sirs,
We have discussed with you, Binder Hamlyn and Oswald Ling & Son the profit forecast of Speyhawk public limited company and its subsidiaries for the year ending 30th September, 1982 referred to in the document to be dated 14th December, 1981.
In our opinion the profit forecast (for which the Directors are solely responsible) has been made by you after due and careful enquiry.

Yours faithfully,
for BARCLAYS MERCHANT BANK LIMITED
L. S. ALLAN
Director

APPENDIX III

Statutory and General Information

1 The Company and its Share Capital
The Company was registered in England and Wales as a private company (No. 1586557) on 18th September, 1981 under the Companies Acts 1948 to 1980 with an authorised share capital of £250,000 divided into 250,000 ordinary shares of £1 each.
On 18th September, 1981 2 ordinary shares were issued to the subscribers and on 1st December, 1981 one share was transferred to Trevor Osborne and one to Derek Parkes.
On 2nd December, 1981 a further 99,998 ordinary shares were issued credited as fully paid (and the two subscribers' shares were credited as fully paid) as consideration for the acquisition of the whole of the share capitals of Speyhawk and Tellings, and the Company passed a Resolution to adopt new Articles of Association with a view to becoming a public limited company.
By or pursuant to Resolutions passed at an Extraordinary General Meeting held on 12th December, 1981:—
(a) the authorised share capital of the Company was increased from £250,000 to £1,250,000 by the creation of 1,000,000 new ordinary shares of £1 each;
(b) each ordinary share of £1 (both issued and unissued) was subdivided into 10 ordinary shares of 10p each; and
(c) 7,200,000 new ordinary shares of 10p each were allotted credited as fully paid to the existing holders of ordinary shares of 10p each by way of capitalisation of £720,000 of the share premium account, on the basis of 36 new shares for every 5 existing shares.
Following completion of this placing 10,000,000 ordinary shares of 10p each will be in issue. Except as mentioned herein, since incorporation of the Company there have been no alterations in the share capital of the Company and no share or loan capital of the Company has been issued or agreed to be issued for cash or other consideration.
Save as disclosed in paragraph 4, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any shares or loan capital of any of them.
Following completion of this placing no material issue of shares (other than to shareholders pro-rata to existing shareholdings or in relation to any share incentive scheme) will be made within one year of the date hereof and no issue of shares will be made which would effectively alter the control of the Company without in either case prior approval of the Company in general meeting.
No share or loan capital of the Company or any of its subsidiaries is proposed to be or is under option or is agreed conditionally or unconditionally to be put under option.

2 Subsidiaries
The principal subsidiaries of the Company, all of which are wholly-owned, are as follows:—
(a) Speyhawk, which was registered in England on 1st July, 1977 as a private company (No. 1319604) and has an authorised share capital of £120,000 made up of 100,000 deferred shares of £1 each, and 20,000 ordinary shares of £1 each all of which have been issued and are fully paid;
(b) Tellings, which was registered in England on 24th March, 1972 as a private company (No. 1047417) and has an authorised share capital of £250,000 made up of 250,000 shares of £1 each, of which 120,295 deferred shares and 24,059 ordinary shares of £1 each have been issued and are fully paid;
(c) Speyhawk Investments Limited ("Investments"), an investment company which was registered in England and Wales on 21st September, 1981 as a private company (No. 1586826) and has an authorised share capital of £100,000 made up of 100,000 ordinary shares of £1 each, of which 2 ordinary shares have been issued and are fully paid and were purchased for £2 by the Company on 3rd December, 1981; and
(d) Speyhawk New York Corporation, a property development company and a subsidiary of Speyhawk, which was registered in the State of Delaware, U.S.A. with date of inception 21st January, 1981 and with an authorised share capital of $1,000 made up of 1,000 shares of $1 each all of which have been issued and are fully paid.

3 Working Capital
The Directors of the Company consider that, after taking into account existing facilities and the net proceeds of the issue, the Group has sufficient working capital for its present requirements.

4 Placing Agreement
By an agreement dated 14th December, 1981 and made between (1) Trevor Osborne, Derek Parkes, Brian Shrubsall, Saracen House Limited (a company controlled by Trevor Osborne), and T. Osborne, G. D. C. Evans and J. E. Davis (being trustees of a settlement made by Trevor Osborne for the benefit of his children) ("the vendors"); (2) Trevor Osborne and Derek Parkes; (3) Trevor Osborne and Brian Shrubsall; (4) the Directors of the Company; (5) the Company; (6) Speyhawk, Tellings, Investments and Speyhawk New York Corporation and (7) Barclays Merchant Bank Limited ("BMB") ("the Placing Agreement"), being material contract (a) in paragraph 7 below, BMB has agreed conditionally on the Council of The Stock Exchange admitting the whole of the issued ordinary share capital of the Company to the Official List on or before 23rd December, 1981 to subscribe or procure subscribers for 1,800,000 new ordinary shares of 10p each in the Company at the price of 115p per share ("the Placing Price") and to purchase or procure purchasers for 293,450, 130,450, 56,550, 173,900 and 95,650 ordinary shares of 10p each from Trevor Osborne, Derek Parkes, Brian Shrubsall, Saracen House Limited and the trustees referred to above respectively at the Placing Price. The Directors of the Company have given general, trading and taxation warranties. The Directors and Saracen House Limited have undertaken not to dispose of any further shares in the Company for a period of eighteen months from the date of this document, save with the consent of BMB. The vendors will pay a commission of 0.7 per cent. on the Placing Price to the Brokers in respect of the shares they are selling. The Placing Agreement provides for the Company to pay the expenses of and incidental to this placing and to obtaining such admission, all accountancy and legal expenses, a fee to BMB and a commission of 0.7 per cent. on the Placing Price to the Brokers in respect of the 1,800,000 new ordinary shares. All the above expenses are exclusive of V.A.T.

5 Directors' and Other Interests
(a) The interests of the Directors and their families in the share capital of the Company before and after the placing will be as follows:—

		Before the placing: Number of ordinary shares	Before the placing: Percentage of share capital	Shares sold in the placing	After the placing: Number of ordinary shares	After the placing: Percentage of share capital
Trevor Osborne	(beneficial)	5,568,783	55.69	467,350	5,101,433	51.01
	(non-beneficial)	629,514	6.30	95,650	533,864	5.34
Derek Parkes	(beneficial)	1,348,900	13.49	130,450	1,218,450	12.18
	(non-beneficial)	43,500	0.43	—	43,500	0.43
Brian Shrubsall	(beneficial)	541,290	5.41	56,550	484,740	4.85
	(non-beneficial)	21,750	0.22	—	21,750	0.22

The above interests are, and will be, as shown in the register maintained pursuant to the Companies Act 1967.
(b) Except as stated above, the Directors are not aware of any person who immediately after completion of the placing will be beneficially interested in 5 per cent. or more of the issued share capital of the Company. Saracen House Limited, a company controlled by Trevor Osborne, will hold 1,006,818 shares. (This interest is included in the beneficial interests of Trevor Osborne shown above.)
(c) Save as disclosed in paragraphs 1, 5 and 7, no Director of the Company has had since the date of incorporation of the Company, or now has, any interest, direct or indirect, in any assets which have been, or which are now proposed to be, acquired, or disposed of by, or leased to any member of the Group.
(d) Save as disclosed in paragraphs 1, 5 and 7, no Director of the Company is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company and its subsidiaries taken as a whole.
(e) Save as disclosed in paragraphs 1, 5 and 7, no amount or benefit has been paid or given, during the two years preceding the date of this document, to any promoter of the Company and none is intended to be paid or given.
(f) Trevor Osborne, Derek Parkes and Brian Shrubsall have service agreements with the Company and certain subsidiaries dated 2nd December, 1981 for a minimum term of five years from 1st October, 1981 but determinable by six months' notice given on or after 31st March, 1986. Their annual salaries are currently £32,000, £30,000 and £28,000 respectively. Provision is made for minimum annual increases in accordance with the Index of Retail Prices. Under their respective service agreements, Trevor Osborne and Derek Parkes are each prohibited from being interested in private property activities other than the holding of property for investment purposes only. The aggregate emoluments, including pension contributions, of the Directors received from Speyhawk and Tellings in respect of the financial year ended 30th September, 1981 amounted to £71,510. The aggregate emoluments, including pension contributions, of the Directors in respect of the current financial year of the Company ending on 30th September, 1982 are expected to be approximately £99,000.
(g) By a transfer dated 25th March, 1981, Speyhawk transferred to the trustees of the settlement referred to in paragraph 4 above, for a consideration of £20,000, the freehold premises at 24 The Green, Richmond, which were acquired, together with other properties, by Speyhawk on 4th February, 1981.
(h) By a transfer dated 29th October, 1981, Speyhawk transferred to the trustees of the settlement referred to in paragraph 4 above, for a consideration of £3,400, a lease of Bychurch End and 4 Church Road, Teddington for a term of 135 years from 20th March, 1980 at an annual ground rent of £50.

6 Articles of Association
The Articles of Association of the Company contain provisions (*inter alia*) to the following effect:—
1. *Voting at meetings*
Every member present in person shall, on a show of hands, have one vote, and upon a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.
2. *Directors*
(a) A Director shall not, save in the particular circumstances specified in the Articles, vote on any contract, arrangement or proposal in which he has a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
(b) The remuneration of the Directors shall from time to time be determined by the Company in General Meeting. The Directors shall be entitled to be paid all reasonable expenses properly incurred by them in connection with the business of the Company.
(c) The Directors may pay extra remuneration by way of salary, commission or otherwise to any Director who holds executive office (including the office of Chairman) or otherwise performs services for the Company outside the ordinary duties of a Director.
(d) The Directors may pay pensions or similar benefits to, or to any person in respect of, any Director or ex-Director.
(e) Section 185 of the Companies Act 1948, relating to the retirement and reappointment of Directors who have attained the age of 70, shall apply to the Company.
(f) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to speak at general meetings.
3. *Share Issues*
The Directors are unconditionally authorised for the purposes of Section 14 of the Companies Act 1980 to allot at any time before 30th September, 1986 relevant securities (as defined in the said Section 14) up to an amount equal to £1,150,000 (of which £250,000 will be unissued following completion of this placing). The provisions of Section 17(1) of the Companies Act 1980 do not apply to any allotments made under the above authority.
4. *Borrowing powers*
The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and uncalled capital. The aggregate amount for the time being remaining undischarged of all money borrowed by the Group and for the time being owing to persons outside the Group may not at any time, without the prior sanction of an ordinary resolution of the Company, exceed (i) a sum equal to four times the consolidated share capital and reserves (as defined in the Articles of the Company) or (ii), until the audited consolidated balance sheet of the Group for the period ending 30th September, 1982 has been published, £12 million.

7 Material Contracts
The following contracts which are or may be material have been entered into other than in the ordinary course of business during the two years preceding the date of this document by the Company or its subsidiaries:—
(a) The Placing Agreement described in paragraph 4, above;
(b) Contract dated 9th December, 1981 for the sale by Speyhawk to Trevor Osborne of the Lease of Flats 1/8 Richmond Mews, Teddington and parking spaces 1/4 and 6/9 for a term of 99 years from 29th August, 1980 at a ground rent of £355 per annum for the sum of £240,000 (as valued at open market valuation by Jones Lang Wootton, Chartered Surveyors);
(c) Transfer by Speyhawk to Saracen House Estates Limited, a company controlled by Trevor Osborne, dated 30th September, 1981 of 99 ordinary shares of £1 each of Hill Street Properties Limited (plus 1 further such share hitherto held by Trevor Osborne as nominee for Speyhawk) for a total consideration of £1 (certified as being the market value of those shares in the opinion of the auditors of Speyhawk);
(d) Transfer by Tellings to Saracen House Limited dated 30th September, 1981 of 499 ordinary shares of £1 each of Hind Construction Limited (plus 1 further such share hitherto held by Trevor Osborne as nominee for Tellings) for a total consideration of £500 (certified as being the market value of those shares in the opinion of the auditors of Speyhawk); and
(e) Agreements dated 2nd December, 1981 made between (1) T. Osborne, D. Parkes and the trustees referred to in paragraph 4 above; (2) the Company and (3) T. Osborne and D. Parkes for the acquisition by the Company of Speyhawk in consideration of the issue of 78,417 ordinary shares of £1 each of the Company; and between (1) Saracen House Limited, B. T. E. Shrubsall, V. Endersby and K. Endersby; (2) the Company and (3) B. T. E. Shrubsall and T. Osborne for the acquisition by the Company of Tellings in consideration of the issue of 21,583 ordinary shares of £1 each of the Company.

8 Expenses
The expenses payable in respect of and incidental to the placing and The Stock Exchange listing are estimated to be £290,000 (plus VAT) and are payable by the Company. Certain commissions are also payable by the vendors referred to in paragraph 4 above.
In addition capital duty at the rate of 1 per cent. will be payable on the total amount paid on the new shares subscribed for as mentioned herein (amounting to £20,700 in aggregate). Preliminary expenses relating to the formation of the Company are estimated to amount to £1,000 (plus VAT) and are also payable by the Company.

9 Material Changes
Save as disclosed herein, since 30th September, 1981, which was the date to which the latest audited accounts of the Company's subsidiaries were made up, there has been no material change in the trading or financial position of the Company and its subsidiaries taken as a whole other than in the ordinary course of business.

10 General
(a) The Directors have been notified of a claim for breach of contract in connection with the purchase of a property, which has since been completed. No evidence to substantiate such claim has been furnished and the Directors are of the opinion that such claim, if proceeded with, would not give rise to other than an immaterial liability, if any. Save as aforesaid neither the Company nor any of its subsidiaries is aware of any litigation or claims of material importance pending or threatened against it or them which are material in relation to the Company and its subsidiaries taken as a whole.
(b) Following completion of the placing the Directors expect that the Company will remain a close company within the meaning of the Income and Corporation Taxes Act 1970. Confirmation has been obtained from the Board of Inland Revenue that no notice ought to be given under sub-Section (3) of Section 460 of the Income and Corporation Taxes Act 1970 in connection with this placing and the acquisition of Speyhawk and Tellings referred to in paragraphs 1 and 2.
(c) Under material contract (a) above, appropriate indemnities have been given by Trevor Osborne, Derek Parkes and Brian Shrubsall in respect of income tax, apportionment of the Company's income, capital transfer tax and other taxation.
(d) Speyhawk has a "key-man" convertible renewable term assurance policy on the life of Trevor Osborne should he die within two years from the date of publication of this document for £1,500,000.
(e) No amount is, in the opinion of the Directors, required for any of the matters specified in paragraph 4 of Part 1 of the Fourth Schedule to the Companies Act 1948.

11 Consents
Binder Hamlyn and Oswald Ling & Son have given and not withdrawn their written consents to the issue of this document with the inclusion herein of their report and letter and the references to them in the form and context in which they are included.
Binder Dijker Otte & Co. have given and not withdrawn their written consent to the issue of this document with the inclusion of the reference to them in the form and context in which it is included.
Jones Lang Wootton have given and not withdrawn their written consent to the issue of this document with the inclusion of the references to their valuation and to them in the form and context in which they are included.
Barclays Merchant Bank Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of its letter and the references to it in the form and context in which they are included.

12 Registration
Copies of this document have been delivered to the Registrar of Companies for registration, each copy having attached to it the written consents and copies of the material contracts mentioned above, copies of the Placing Letter and Form of Application and the statement of Binder Hamlyn and Oswald Ling & Son setting out the adjustments made in arriving at the figures contained in their report (as set out herein) and giving the reasons therefor.

13 Documents Available for Inspection
Copies of the following documents will be available for inspection at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London EC2M 7HD during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 6th January, 1982:—
(a) the Memorandum and Articles of Association of the Company;
(b) the audited accounts of the Company and its subsidiaries for the two years (where applicable) to 30th September, 1981 used in the preparation of the combined financial information contained in the Accountants' Report;
(c) the material contracts referred to in paragraph 7 above;
(d) the Accountants' Report and the statement of adjustments made by them for the purpose of their report;
(e) the letters relating to the profit forecast set out in Appendix II above;
(f) the valuers' reports referred to in paragraph 7 above;
(g) the written consents referred to in paragraph 11 above; and
(h) the service agreements referred to in paragraph 5 above.

14th December, 1981.

FT COMMERCIAL LAW REPORTS

Arbitration in 'customary manner'

LAERTIS SHIPPING CORPORATION v EXPORTADORA ESPANOLA DE CEMENTOS PORTLAND SA

Queen's Bench Division (Commercial Court): Mr Justice Bingham: December 7 1981

WHERE A charterparty provides for arbitration "in the customary manner," and evidence shows that it is usual in maritime disputes for each party to appoint his own arbitrator, the failure by one party so to appoint entitles the other to appoint his own arbitrator as sole arbitrator under section 7 of the Arbitration Act, 1950.

Mr Justice Bingham so held when making a declaration on the application of Laertis Shipping Corporation, shipowners, that Mr John Potter, originally appointed by them as their arbitrator in a dispute with Exportadora Espanola de Cementos Portland SA, charterers, had become sole arbitrator under the terms of section 7.

* * *

Section 7 of the Arbitration Act, 1950, provides: "Where an arbitration agreement provides that the reference shall be to two arbitrators, one to be appointed by each party, then . . . (b) if . . . one party fails to appoint an arbitrator . . . for seven days clear after the other party, having appointed his arbitrator, has served the party making default with notice to make the appointment, the party who has appointed an arbitrator may appoint that arbitrator to act as sole arbitrator. . ."

*

HIS LORDSHIP said that the owners of the vessel, the Laertes, hired her to the charterers for a voyage from Barcelona to a port in West Africa, to carry a cargo of cement. The charterparty included provisions as to the rate payable for demurrage, and a clause which provided for arbitration in London "in the customary manner."

There was some delay at Barcelona and in West Africa, and as a result the owners had a claim against the charterers for demurrage.

The owners appointed Mr Potter to act as their arbitrator in the dispute. They notified the charterers by telex that he had been appointed, and called on them to appoint their own arbitrator within seven days, in default of which the owners would appoint Mr Potter as sole arbitrator.

The charterers failed to appoint an arbitrator and the owners wrote to Mr Potter con firming their appointment of him as their arbitrator, and notifying him that, under section 7 of the Arbitration Act, he was to be the sole arbitrator in the reference. Mr Potter accepted that appointment.

No steps were taken by the charterers to play any part in the proceedings, and it seemed reasonable to infer that they challenged the validity of the process of arbitration. The owners now sought a declaration, *inter alia*, that Mr Potter had been validly appointed as sole arbitrator.

There appeared to be no authority on the meaning of "in the customary manner" in the arbitration clause, but there was authority on "in the usual way." In *Scrimaglio v Thornett & Fehr (1924) 18 Ll L Rep 148* Lord Justice Bankes said at page 150, ". . . that means not the invariable way . . . but the usual way. I think the 'usual way' is the way which is usually adopted, not always adopted." Lord Justice Scrutton said at page 150, "It means the way so frequently used in relation to the number of arbitrations that it may properly be described as the usual way, not a usual way, because there may be two or three . . .". At page 151 Lord Justice Sergeant said "the words 'in the usual way' mean this: in the way usual in arbitrations . . . with reference to the subject-matter of the contract."

Those judgments were directed towards a different form of wording from that employed in the present charterparty, but the language used was substantially to the same effect. "Customary" was not intended to incorporate legal notions concerning the existance of a legal custom, but to refer to the manner in which things were usually done.

It was therefore necessary to look at the evidence which had been put forward by nine well-known arbitrators as to what they regarded as the usual manner of conducting maritime arbitrations. There was some diversity of view. Some expressed the opinion that there was no customary manner, and one view was that a clause in the present form was invariably taken to refer to the appointment of a single arbitrator.

There were, however, a number of arbitrators who regarded the appointment by each party of an arbitrator, and the appointment by those arbitrators of an umpire, as being the usual manner of disposing of issues of the present kind. The conduct of arbitrations in that way conformed with his Lordship's experience as to what was the usual way, but not of course, the invariable way.

In the circumstances it was proper to regard the appointment of two arbitrators, one by each party, as being the usual way within the meaning of "in the customary manner." The case was therefore covered by section 7.

The proper steps had been taken by the owners and the proper notices given to the charterers to comply with section 7. The charterers failed, despite that notice, to make the appointment and it was therefore open to the court to declare that Mr Potter, originally appointed by the owners as their arbitrator, had become the sole arbitrator.

For the owners: Richard Aikens (Richards, Butler & Co.).

The charterers were not represented.

By Rachel Davies
Barrister

GARDENS TODAY

A Victorian Arthur Hellyer

BY ROBIN LANE FOX

NEVER AGAIN will I risk writing about Antarctic plants in mid-December. The weather took the hint and left me to wish for a few square yards of tufted grass and a carpet of ice-proof Acaena to take the chill off my poor winter Iris.

I spent the weekend sitting indoors, shelving the trowel and enjoying my gardening in the mind.

What, I wondered, did gardening columnists write about a century or so ago? I sat out the blizzards in the company of the gardener who towered over mid-Victorian England.

Joseph Paxton began life as a garden boy in Bedfordshire. He served with the Duke at Woburn, rose to a post at Chatsworth and a name as the most respected horticulturalist in all Europe before he died in 1865.

Private service ennobled him. With the backing of the Dukes, he mastered the heated greenhouse and propagated difficult plants like few head gardeners of his time. He died Sir Joseph, artist of the great Crystal Palace and a host of bold designs for soaring hot houses of iron, glass and wood.

Public authorities borrowed him from the nobility and paid for his visions of heat, rocks and tropical plants. Liverpool, Birkenhead and Halifax boasted Paxton's hand behind their public parks. Coventry's cemetery never looked the same after his proposals for its gardens. He grew anything which heat could humour and issued, monthly, a magazine for gardeners who wished, like you, to be kept abreast of the times.

Paxton's Magazine of Botany now runs into a long set which art investors hoard for the glorious hand-coloured plates and folding portraits. To me, it is still a book to be read, filled with the advice and readers' correspondence of the Arthur Hellyer of the 1840s.

Every month, Sir Joseph would list the jobs for his readers' staff. In December, camellias would have to be forced into bud. The greenhouse would be sponged, the pot plants checked for excessive roots.

Science, meanwhile, was advancing and nurserymen were widening the range of a gardener's choice. Articles on plants' response to solar heating were followed by reports on the newer plants in metropolitan shows and suburban nursery catalogues.

Solanum Jasminoides had just arrived from America and titled ladies had sent seeds of wild yellow wallflowers from Kabul. Everybody heeded the grand old man's advice, down to the youngest apprentice for whom the Magazine gave "familiar hints on mental improvement."

Literary composition, Sir Joseph insisted, was quite invaluable to the gardener. Beginners should keep old notebooks in their tool sheds and practise self-expression and elegant turns of style when the weather turned foul. An extraordinary witness to the faith of a self-made man in moral education.

Wise on so much, Paxton's readers come to grief on the topic of the slug. Cory's Slug Death and its poison bran had not yet been invented, and readers were left to suggest their own solutions. If you think that garden wisdom is the curse of modern social life, matters, I assure you, were little better when Queen Victoria rose to the throne.

Many gardeners, said Paxton, resort to the following method of digging holes. Round their best plants they drill craters an inch deep and go out each morning to put salt on any slugs which are trapped in the bottom. The method, he agrees, is unsatisfactory. The slugs are likely to eat the plants before falling into the holes.

If this seems naïve, Mr Wilcox's method was scarcely any better. He would collect the urine from cows into buckets and sluice it on to the ground of his choicest flower-beds. Hoe in one hand, bucket in the other, I picture him waiting to pounce on his cow in a lush green pasture in spring time. The application, said Paxton, is fatal to all delicate plants.

Mr Corbett, however, had written to give him "one of the very best remedies." The ground should be covered with quicklime on a clear night at 10 o'clock and again at three in the morning, if the weather was fine. Repeated application would see off any slugs. It would also see off any serious side. Timid slugs would make for be warned that Paxton believes his plants to hate quicklime as much as any slugs.

Failing this, you could all build obstacles. Your best plants could be sealed off with sifted coal ashes whose sharp points would pain any slug on the move "owing to the extreme delicacy of that part of their bodies." Otherwise, you could take a tip from his Miss Bygrave, an "ingenious lady on the Isle of Wight."

Miss Bygrave had won two firsts for British technology with Bygrave's Plant Preserver and Bygrave's Slug Preventer. The same principle applied to both. An earthenware pan (the preserver) or a square of lead guttering (the preventer) was laid round the precious fritillary and filled to its brim with salt or water.

At nightfall the slugs could slime their way to the top of the rampart, slip and drown in the brine they detested. In the morning they could be picked out and crushed.

Nothing could ever beat a Bygrave, a boundary round any rare plant. Wise gardeners, however, would cut a turnip in half and leave it at the Preventer's side Timid slugs would make for the turnip, not the rampart, and could be picked up for squashing the following morning. Sir Joseph thought this very clever.

Progression, here too, has spread its spirit and nowadays we all have slug-death and poisons by the dozen. We may not compete with Paxton's stove-plants but we can sleep more soundly with his slugs.

TELEVISION

Chris Dunkley: Tonight's Choice

Tonight two major theatrical productions are made accessible to tens of millions of viewers via television. BBC 1 presents the Greenwich production of Noel Coward's Present Laughter, which until last week was playing at the Vaudeville. Donald Sinden takes Coward's own role as Garry Essendine, the darling of the West End theatre.

ITV's offering is Kenneth MacMillan's ballet-with-words Isadora, and they've decided the two-hour production is important enough to move the news. Merle Park dances the title role and Mary Miller is the stage double, telling the story in Isadora Duncan's own words. Both Present Laughter and Isadora have been recorded in the theatre in front of audiences to give a "night out" effect.

BBC 1

12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Fingerbobs. 2.00 When the Bough Breaks. 2.12 Closedown. 3.15 Songs of Praise. 3.53 Regional news for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Codename Icarus.

5.40 News.
6.00 Regional News Magazine.
6.25 Nationwide.
6.55 The Wonderful World of Disney.
7.40 Present Laughter by Noel Coward starring Donald Sinden, Dinah Sheridan, Gwen Watford, Elizabeth Counsell. (Part 1).
9.00 News.
9.25 Present Laughter (Part 2).
10.35 Parkinson.
11.33 News Headlines.
†11.35 Phil Silvers as Sergeant Bilko.
12.00 Weather.

BBC 2

10.20 am Gharbar, For Asian women.
10.45 Closedown.
11.00 Play School.
11.25 Closedown.
3.55 pm One Man and his Dog. Sheepdog championship.
4.35 Howard Shelley piano recital.
4.40 Vikings! by Magnus Magnusson.
5.10 Looking Back. Racing at Brooklands.
5.40 Daredevils of the Red Circle.
6.00 Grange Hill.
6.20 Spine Chillers.
6.30 Life on Earth.
7.25 News.
7.30 The Chinese Acrobatic Theatre.
8.20 Strangeways: Borstal boys.
9.00 M*A*S*H.
9.25 The Borgias (final).
10.15 Grapevine.
10.45 Newsnight.

LONDON

9.30 am Magilla Gorilla. 9.50 Bailey's Bird. 10.15 The History Makers: Bastille. 10.40 Survival. 11.05 Welcome Back, Kotter. 11.30 The Further Adventures of Oliver Twist. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News at One, plus FT Index. 1.20 Thames News. 1.30 Play it Again Special: Hattie Jacques. 2.00 After Noon Plus. 2.45 Charlie's Angels. 3.45 Emmerdale Farm. 4.15 Wild Wife. 4.20 Madabout. 4.45 Fanfare for Young Musicians. 5.15 Boomer in Love.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This is your Life.
7.30 Coronation Street.
8.00 London Night Out. Introduced by Tom O'Connor.
9.00 ITN News; Thames News Headlines.
9.30 *Isadora.*
11.30 Hammer House of Horror: The Mark of Satan.
12.25 am Sit Up and Listen with Claire Rayner; followed by Closedown.

† Indicates programmes in black and white.

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Mumbly. 9.40 Star. 10,10 It's a Musical World. 11.00 Bowls Spectacular. 11.50 Wattoo Wattoo. 1.20 pm Anglia News. 2.45 Strumpet City. 5.15 Happy Days. 6.00 About Anglia. 11.30 Quincy. 12.30 am Nazareth Was My Home.

ATV

9.30 am European Folktales. 9.45 Circus. †10.10 Conspiracy of Hearts (film). 1.20 pm ATV News. 2.45 Tenspeed and Brown Shoe. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 11.30 Sentenced to Live.

BORDER

9.30 am Focus on Wildlife. 9.55 Joe 90. 10.20 Fangface. 10.45 The World We Live In. 11.10 Little House on the Prairie. 1.20 pm Border News. 2.45 Strumpet City. 5.15 Out of Town. 6.00 Lookaround Wednesday. 9.00, 11.30 Border News.

CHANNEL

1.20 pm Channel News. 2.45 Strumpet City. 5.15 Survival. 6.00 Channel Report. 11.30 Sally Field Profile. 12.00 pm Epilogue.

GRAMPIAN

9.35 am First Thing. 9.45 Hands. 10.05 Survival. 10.35 Target the Impossible. 11.00 Knossos, Lost Capital of Atlantis. 11.50 Larry the Lamb. 1.20 pm North News. 2.45 Strumpet City. 5.15 Batman. 6.00 North Tonight. 11.30 Paris by Night.

GRANADA

9.30 am Target the Impossible. 9.50 To the Land of the Morning Calm. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 Live from Two. 2.45 Sophisticated Lady. 5.15 The Adventures of Black Beauty. 6.00 Granada Reports. 6.25 This is Your Right. 11.30 Vegas.

HTV

9.30 am Sesame Street. 10.30 The Young Pioneers' Christmas. 1.20 pm HTV News. 2.45 Strumpet City. 5.10 Ask Oscar. 5.20 Crossroads. 6.00 Report West. 6.30 Benson. 11.30 Paris by Night.

HTV CYMRU/WALES—As HTV West except: 12.00 am Fflatabalam. 4.45 Goglis. 5.10 Dick Tracy. 6.00 Y Dydd. 6.15 Report Wales. 6.30 Taff Acre.

SCOTTISH

9.30 am Hands. 9.55 Amazing Years of Cinema. 10.20 Hot Air. 10.45 African Choco. 11.20 Then Came Bronson. 2.45 pm Strumpet City. 5.15 Tiddlers' Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Action Line. 6.30 Report. 11.30 Late Call. 11.35 Jericho.

SOUTHERN

9.30 am Wild Wild World of Animals. 9.55 Bailey's Bird. 10.20 Patterns. 10.45 Tarzan. 11.40 Laurel and Hardy. 1.20 pm Southern News. 2.00 Houseparty. 2.25 Under Manning. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Day by Day. 6.30 Mork and Mindy. 11.30 Valentine's Day. 12.00 Rome Comes to Canterbury.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Stars on Ice. 9.55 Joe 90. 10.25 Cartoon Time. 10.30 Friends of My Friends. 10.55 Comic Stories. 11.00 The Tiny Tree. 11.30 Flare. 11.50 Larry the Lamb. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 Strumpet City. 5.15 Mork and Mindy. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 9.30 North East News. 11.30 Pavilion Folk. 12.00 A Good Tomorrow?

ULSTER

1.20 pm Lunchtime. 2.45 Strumpet City. 5.15 Cartoon Time. 6.00 Good Evening Ulster.

WESTWARD

9.35 am Sesame Street. 10.35 The Big Job† (film). 12.27 Gus Honeybun's Birthdays. 1.20 Westward News. 2.45 Strumpet City. 5.15 Survival. 6.00 Westward Diary. 11.30 Sally Field Profile. 12.00 Faith for Life.

YORKSHIRE

9.30 am World Fairytales. 9.40 Bate's Car. 9.55 League of Gentlemen† (film). 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 2.45 Strumpet City. 3.45 The Entertainers. 5.15 Emmerdale Farm. 6.00 Calendar. 11.30 Jazz Series.

RADIO

(S) Stereophonic broadcast
‡ *Medium Wave only*

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 Paul Burnett. 5.30 Newsbeat. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.03 pm John Dunn (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News. 6.00 David Symonds (S). 8.00 Alan Dell with Dance Band Days. 8.30 The King's Collection (S): King's Singers. 9.00 The Boston Pops (S). 10.00 Tom Mennard tells Local Tales. 10.15 The Baby Grand Song Factory. 10.30 Thanks for the Memory. 11.05 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer (S) Kodaly. 10.00 Susan Landale (S) Organ. 10.45 Brahms (S). 11.30 Midday Concert (S) BBC Scottish S.O. concert. 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Cummings String Trio (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Scientifically Speaking. 7.30 BBC Northern Symphony Orchestra concert (S). 8.05 Six Continents. 8.25 Concert continued. 9.40 Haydn (S). 10.00 Medium and Message: Cartoonists. 10.50 Apocryphal Stories by Karel Capek. 11.00 News. 11.05 Giovanni Gabrieli (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek: Noel Edmonds. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen (S). 12.00 pm News. 12.02 You and Yours. 12.27 A Walk in the Dark. 1.00 The World at One: News. 1.40 The Archers. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 The Cities of the Plain: Ravenna. 4.00 Priestland's Progress (S). 4.45 Story Time. 5.00 News Magazine. 5.50 Shipping Forecast. 6.00 News. 6.30 The Senior Partner. 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 The Reith Lectures. 8.15 The Mind of the Medium. 8.45 Analysis: President Mitterrand. 9.30 Kaleidoscope. 10.00 The World Tonight: News. 10.30 Quote . . . Unquote (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 am News.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A fast-moving family beats Europe's rag trade blues

James Buxton on the dramatic expansion of an Italian textile group

THE NAME Benetton may be little known in Italy. But it is a company which claims to be the biggest consumer of pure wool in Europe and is the country's biggest producer of jeans. Its turnover doubled last year and should rise by 65 per cent this year, putting it about on par with the top 100 companies in the country.

That it should be less familiar in Italy than among shoppers in London, Paris and other European cities, is because it sells under a variety of other names, publishes no accounts and is based far from the main industrial centres. It is one of those medium-sized concerns which rarely make headlines, but whose dynamism more than offsets the gloom about Italy that is engendered by appalling economic statistics and the sluggish performance of the big companies.

Benetton owns, controls or franchises 2,000 shops in Europe—about 1,500 of them in Italy itself. It now has a leading position in the mass fashion market in Italy and is expanding abroad so fast that, of this year's expected L330bn (£144.8m) turnover, foreign sales will make up 40 per cent, against only 2 per cent in 1978.

At the moment it is expanding fastest in Britain where it now has about two dozen shops. Recently it bought one of Milan's most fashionable clothes shops and has taken over a knitwear business in Scotland.

Flexible

Like any other fashion busines it depends heavily on an instinct for knowing what people will buy. But Benetton's spectacular success is also due to a cleverly thought out marketing formula, a highly flexible system for responding to market tastes, efficient production methods and a financial set-up which, to a considerable extent, makes the company self-financing.

These and other factors enable it to prosper when inflation is running at the current 20 per cent, prime rate is 22.5 per cent and businesses are laying off workers or going bankrupt all over Italy's northern industrial heartland.

Benetton is based in the little town of Ponzano, a few miles outside Treviso in the Veneto region of north east Italy, the regional capital of which is Venice. Its headquarters are in and around a magnificently restored 16th-century villa set in flat green countryside, which on a crisp winter day reminds one of East Anglia. Typically of Italian medium-sized businesses it is family-owned: by three brothers and a sister.

It was the sister, Giuliana Benetton, who claims to have had the original idea for the current business. Having worked as a clothes designer and manufacturer she told her brothers, then in commerce and craftsmanship, that she could design and make brighter and more attractive clothes than were then on the market if they could market them.

"Basically I said: I can make it if you can sell it," she recalls. They set up the company in 1966 at Ponzano with about 60 employees and began assembling a talented team of stylists, shop designers and managers.

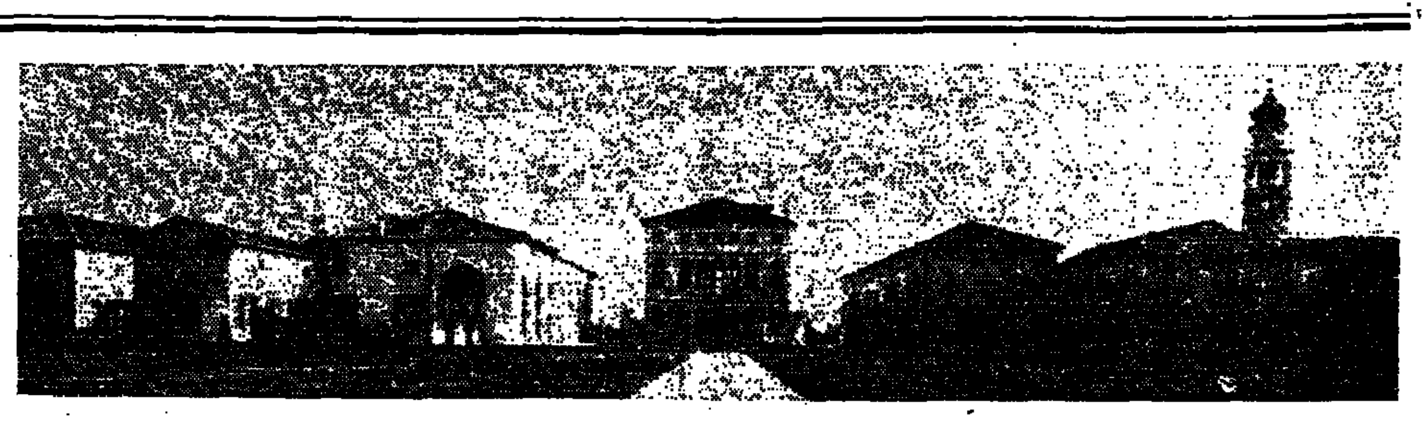
The original Benetton products were knitwear, starting with sweaters, cardigans, and so on. The company started to make denim jeans in 1973 — well in time for the great jeans boom of 1975-76 — and at the same time went into cotton goods such as T-shirts. Now it makes many kinds of trousers (flannel, corduroy, etc), of which denim jeans make up only about 10 per cent. It also makes children's clothes.

The next phase in the strategy was to sell through its own shops; the first was opened in Belluno in the northern Veneto in 1968 and others soon followed at Cortina d'Ampezzo, the skiing resort, Padua, the university city, and Bari, to test the market in southern Italy.

But Benetton's great expansion has only taken place since 1975, when it had 200 shops in Italy. From then on shops were opened at the rate of several hundred a year. Expansion abroad effectively began in 1978, first in West Germany, then in France and Britain. There are also a number of shops in the U.S. Turnover of the group rose from L102bn in 1979 to L200bn in 1980. Sales of L450bn are predicted for 1982.

Benetton sells its products directly through the shops it controls, cutting out the wholesaler. Of these 1,500 shops in Italy it owns about 200 outright, it has around half interest in a further 300-400 and the rest are managed under franchise by outsiders, though Benetton may help with initial financing. It says it receives about half of all the Italian shops' turnover.

The variety of brand-names used in Italy include Jeans West (the best selling brand of jeans in Italy), Sisley (jeans and knitwear), My Market (mainly knitwear), Tomato, "012" (for children) and so on.



Benetton's headquarters are in a magnificently restored 16th century villa at Ponzano, in the Veneto region. Earlier this year Guiliana and Gilberto Benetton (right) bought Hogg of Hawick: "The British market is doing very well and we regard it as very important"

The shops are usually close to each other in the best shopping areas of towns (those with the highest turnover) often with several Benetton shops in the same street.

If the customer finds the music too loud and the atmosphere too aggressive in one shop, she may well end up buying the same product at the same price but under a different label in a shop next door that appeals more to her taste.

Any company granted a franchise has to conform to Benetton's standards of presentation (which is always bright and clean) and keep to fixed prices, but its most important requirement is to make a daily report to Ponzano on sales and on the type and colour of goods that are selling best. The data is analysed on a computer and production is so geared that the knitwear plants can turn out sweaters of the desired colour and get them into the shops within five or six days of a trend being firmly identified.

Half Benetton's production is knitwear, the rest being trousers and other goods. It currently has six factories of its own in Italy and directly employs about 1,600 people. But it claims to be responsible for a total of 10,000 workers because the majority of its manufacturing is handled by about 250 small concerns scattered all over north-eastern Italy employing between 20 and 100 people each. They are tightly controlled and work under exclusive contract to Benetton.

These concerns are not part of Italy's so-called Black Economy — the system of outworkers, often operating from home, not subject to tax or social security payments and often employing illegal child labour, which contributes a large but unmeasurable proportion of Italy's GDP. Benetton's sub-contractors have to be above board and pay the wages agreed by union negotiators at the parent company.

By farming out much of its manufacturing needs Benetton has the flexibility that the very big company lacks, lumbered as it is with almost unsackable work-forces and riddled with restrictive practices. It also means that Benetton has far less capital tied up in plant (as well as shops) than it might have otherwise. The financial advantage of selling direct through Benetton shops is that a large part of the takings are banked with Benetton daily.

Bargain

The total nominal capital of the operating company Benetton Spa and the three main operating subsidiaries for wool, cotton and jeans amounts to Lire 74.5 bn. Profits are a closely guarded secret, the dividends from the operating companies going to Invep, the financial holding company owned by the four Benettons, who share the management of the company between them in a way more common in Italy, with its Napoleonic system of inheritance, than in Britain.

Gilberto Benetton, who is 40, is chairman; Luciano, the eldest brother aged 45, is managing director; Giuliana, who is 43, is in charge of design and manufacture; and Carlo, 37, is responsible for technical matters.

In weathering the recession, Benetton has the great advantage of being relatively free of debt, though it is resorting to the banks to finance two new factories it has under construction in the Veneto. The 40 per cent rise of the dollar against the Lira over the past year has naturally affected Benetton, but it claims to be such a big customer for its main import from the U.S.—denim—that it can drive a hard bargain on prices.

Benetton's greater fear is of expanding at a faster rate than its raw material suppliers can cope with. Already it takes more than half the wool output of Lanerossi, the textiles subsidiary of ENI, the state energy concern. This is a potentially risky degree of dependence. To help increase the supply of yarn Benetton is forming a joint venture with a spinning concern in Piedmont which should ease the situation, at least temporarily.

Now the company is expanding in a slightly different direction. It recently bought 50 per cent of Fiorucci from the Montedison stores chain, Standa. Fiorucci has smart shops in Europe and New York, an impressive name and reputation, but recently, a modest profit record. Benetton bought its half stake for Lire 2.15bn, not an expensive price for a company with sales of Lire 60bn last year, though one that reflects its profits of only Lire 600m.

The two companies' products are not interchangeable. Benetton will apply its marketing techniques to Fiorucci and will expand it, thus gaining a stake in the top end of the fashion market, in which it has not hitherto been involved.

The same kind of thinking lay behind its other recent acquisition. Earlier this year it bought Hogg of Hawick, which for a hundred years has been manufacturing high quality knitwear in the Scottish borders. Much of its equipment is elderly, and the average age of the staff is high. Its output of 300 garments a day is insignificant alongside Benetton's 90,000.

Sentimental

But the Italians were impressed with Hogg's products, its knowhow and its position in the richer part of the market. "It was partly a sentimental thing," according to Giuliana Benetton. "If it had been a modern plant we wouldn't have been interested." Benetton also recognised that it could benefit from the accumulated skills and experience of a Scottish woollen manufacturer.

Hogg is to get new machinery and its production will go up to 1,000 pieces a day. Its production line may be enlarged but its style will stay the same. Its expensive products will not be sold in the basic Benetton shops; instead Benetton intends to open or take over a new line of shops, initially in the UK, to market Hogg knitwear and other products according to the Benetton sales formula.

Benetton says it will be the first time this type of marketing has been applied to this part of the knitwear market. "The British market is doing very well and we regard it as very important," says Giuliana Benetton.

BOARDROOM BALLADS

IN CORPORE SANO

The body corporate is prone
To some malfunctions of its own,
Too deep for therapy to foil;
And shuffles off this mortal coil,
Leaving the explanatory data
With the company liquidator,
And the shareholders in fear
Around the late-lamented's bier.

★

But, though post-mortems have their use,
There must be methods which conduce
Better to reveal propensities
To death in corporate entities;
And, better still, we need prognosis
Of arteriosclerosis,
And other prevalent diseases
Threatening financial seizures.

★

The more distinguished corporate leeches
Start with anatomic features,
Placing, in exact location,
The organs of its operation.
The consequential chart, however,
Tends to beg the question whether
The brain and eyes, as often said,
Are really in the corporate head;
Or, by genetical distortion,
Somewhere in the lower portion.

★

This anatomic imprecision
Suggests the dangers of incision;
For a missed lymphatic cord
Might lobotomise the board,
Or intended appendectomies
Produce corporate vasectomies.
So, notwithstanding that it's rife,
Intervention with the knife
At the bottom, may not stop
Hallucinations at the top;
In spite, that is, of all the pleas
For amputation at the knees
As the favourite reliever
From the company receiver.

★

The art of corporate prosthetics,
Without recourse to anaesthetics,
Bucks the metabolic issue—
The atrophy of corporate tissue
Through wide-spread paralysis
By elephantiasis;
The most effective cure of all
May be to keep the body small,
Dispensing with redundant parts
Like company doctors and their arts.

Bertie Ramsbottom

TECHNOLOGY

EDITED BY ALAN CANE

The International Automatic Testing and Instrumentation Show

Geoffrey Charlish reports

Testing market for the growth of the electronics field

THIS YEAR, most of the major automatic test equipment companies developed new equipment in time for the ninth International Automatic Testing and Instrumentation show at Brighton. In all some 90 companies took part, in spite of a blizzard on the opening morning.

It was a clear indication of the vigour of the ATE market, probably now worth over $1m world wide and growing at over 10 per cent per annum.

The industry has a hard task master — the electronics industry itself. As more and more component elements are put on to the integrated circuit (IC) and more ICs are crammed on to the printed circuit board (PCB), so the complexity has to be matched by the testing equipment.

And, just as the banks for example, can no longer conduct their business without computers, so the electronics and computing industry cannot test its products without ATE. Often, it is humanly impossible.

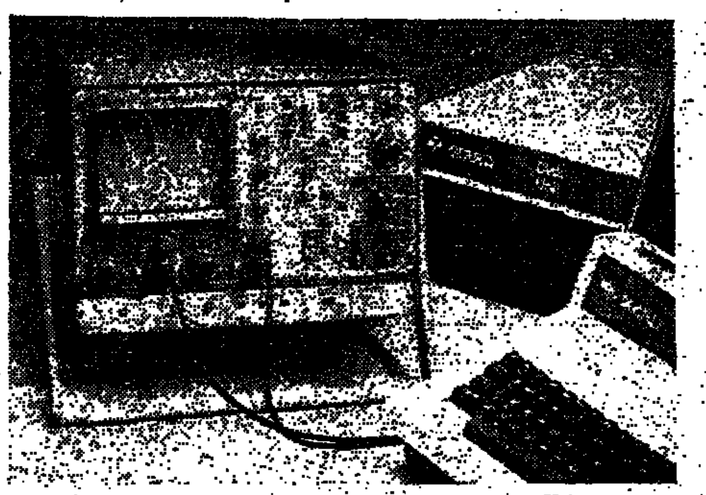
As new products ranging from TV games and home computers to avionics and digital telephone exchanges flood on to the market, so new equipment has to be available to test them. Whole new markets can appear — automobile electronics is one of the latest.

The trend has been consistent since the ATE industry began to emerge in the early 1960s: the call has always been for faster and more automated testers that are more accurate, give more information, are easier to use and which will cut the cost of testing.

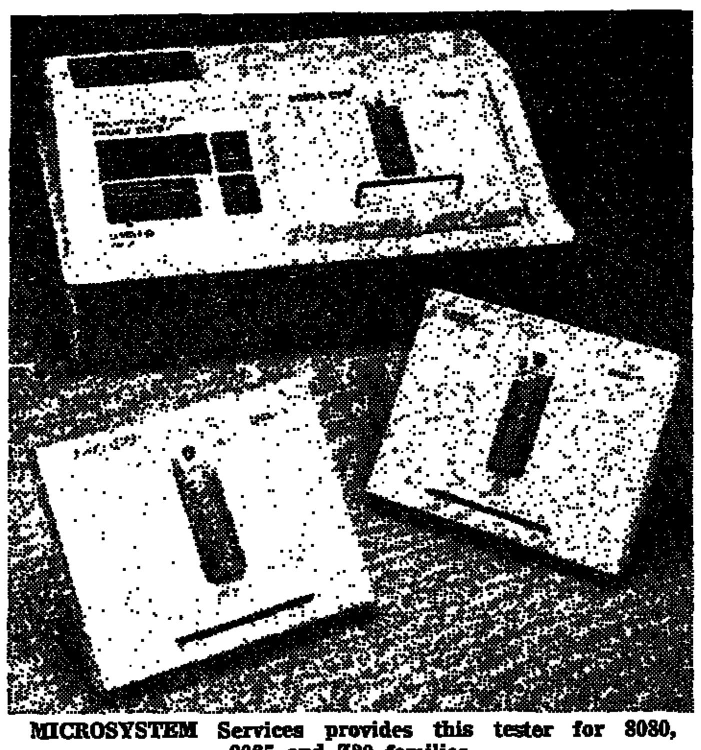
A hand-in-hand technical relationship exists, too, between the ATE makers and the remainder of the electronics industry that it serves. The microprocessor provides one of the best examples of this: it has called for more complex and faster testing and at the same time has given the ATE engineers the tool to do the job.

It has also allowed the development of relatively cheap bench top testers which not long ago would have required floor standing cabinets.

Whatever the equipment, the object remains the same—to identify faults as early as possible in the production of boards and systems.



THE Gould digital storage oscilloscope is controlled from a Commodore microcomputer via the IEEE Bus.



MICROSYSTEM Services provides this tester for 8080, 8085 and Z80 families.

Dominated

The rule of thumb often quoted is that if it costs £1 to find a faulty component at the component test stage, then the cost of finding it on the completed board might be about £10 and of finding it in the final equipment £100; after the equipment has been delivered to the customer the penalty can be as much as £1,000.

At Brighton, makers in all three main equipment groups were present — components, boards and total systems. Although, if the military segment is included, total system test is by far the biggest in money terms, most of the interest commercially centres on components and boards.

The market remains dominated by U.S. makers in all areas, the Japanese still being a minor force. Marconi, Racal, Wayne Kerr and ATE Systems are prominent among the UK owned makers.

One of the surprises announced at Brighton was the change of name by Fairchild in Europe to Enertec Test Systems. At the same time the Fairchild test systems team, with its prime interest in integrated circuit testing, is to move in with Membrain (experts in boards) at the Ferndown site in Dorset. Both are part of the Schlumberger Group and will form a strong European test centre from January.

Both companies have introduced new products, Membrain a voice output facility which tells the operator which current or voltage probe to use and where on the board, while Enertec has come up with SAGE (Sentry analytic graphics enhancement). This is a system that combines interactive software with a colour graphics terminal to provide a visual display of the test program set-up so that programming errors can be easily detected and corrected.

A remarkable new system from board test market leader GenRad can make up to 3,584 contacts through the "bed of nails" fixture commonly used in these in-circuit testers. The object is to find faulty components and connections by running through computer generated programs of voltage and other stimuli at the many pins and examining the result, also with the computer.

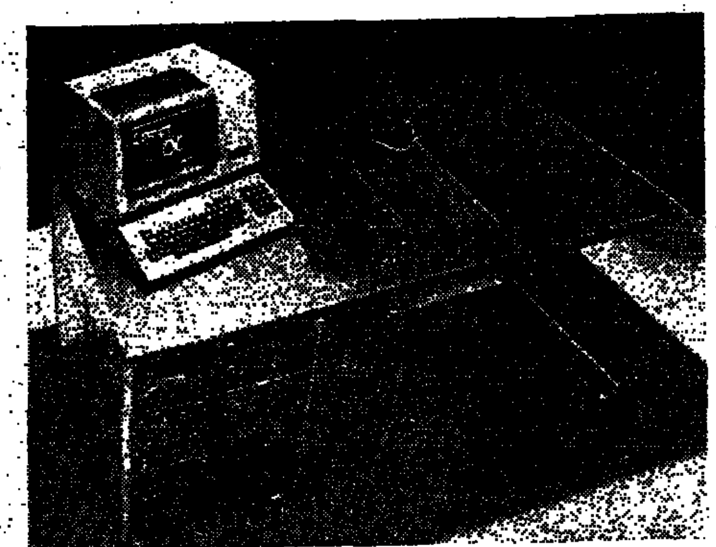
In the case of GenRad's new model 2272, the pins can apply digital or analogue stimuli, allowing boards containing both types of circuitry to be tested rapidly.

Teradyne, with its L200 appears to have gone a step further in that it can conduct both in-circuit and functional testing, digital and analogue.

Investment

Functional testing, just as important as the in-circuit variety, applies all the normal supply voltages and inputs to the board and puts it through its normal, working paces. Teradyne says that the dual ability of L200 allows the board maker to select the test technique while retaining the advantages of common software, hardware and fixturing.

The Marconi organisation was present in force. The St Albans company, Marconi Instruments, revealed details of a £250,000 investment in equipment that will offer customers a complete service in "bed of nails" fixture production. The Avionics company at Rochester has introduced Compact Alpha, a 10 MHz functional tester that can typically deal with 200 input/output channels via a novel type of interface which eliminates the need to stock expensive adaptors for each tested board.



AUTOMATIC testing equipment for sub-assemblies and electronic cards and compatible with a variety of instruments was on show from Marconi Avionics. The interface design is said to eliminate the need to stock expensive adapters.

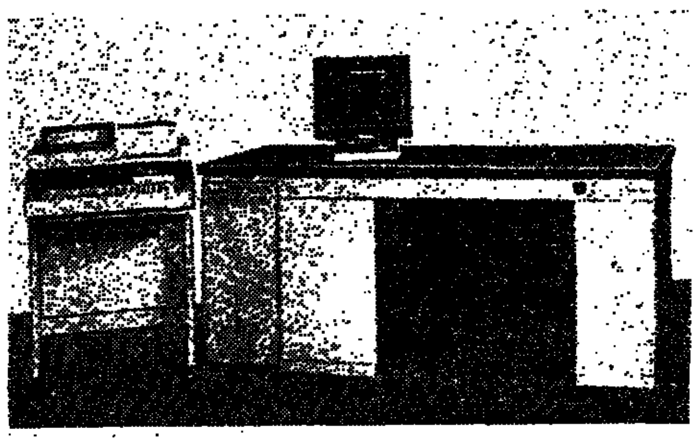
Racal Automation has launched the RAL 2060, an in-circuit tester in which simplicity of operation and data presentation are the keynotes. The software covers a wide range of tests from short and open circuits to microprocessor devices.

Also attracting a good deal of attention were a low cost bench top microprocessor tester from Microsystem Services, aimed at manufacturers' small goods inwards departments, the CX80 "consumer" extension for the linear test system made by LTX (it allows TV and radio sets to be easily dealt with), and a functional tester for microprocessors from Olivetti Tecnost.

One of the rare Japanese offerings was the T3340 40MHz unit for very large scale integrated circuit testing made by Takeda Riken and supplied by Micro-Image Technology (Engineering) of Derby.

On the total system test side, Eaton, Gould Instrument, Hewlett Packard, MC Computers, Plantronics and Tektronix, among others, were offering systems centred around the IEEE 488 bus. This is a standard, pioneered by Hewlett Packard, which enables a number of measuring instruments to "talk" to each other digitally.

Hewlett Packard for example, showed how an integrated network can be arranged to gather and process data from every test likely to be carried out in an electronics plant, from goods inwards to final inspection.



THE microprocessor board test system from Olivetti Tecnost.

Laser kill renders the British Army 'harmless'

FIGHTER aircraft, tanks and naval vessels have all been simulated by the armed forces for the simple reason that perfectly adequate realism can be achieved without the cost of running the real thing. Now, the humble bullet is getting the same treatment, a low-power rifle-mounted laser and a hit/miss detector on each soldier producing exactly the same result—for training purposes at any rate.

TOMORROW'S soldiers will be better trained than ever to survive combat, thanks to new equipment developed in Britain, writes Jim Wright.

The equipment brings a previously unattainable level of realism to combat training, and has just been recommended for acceptance into the Army. It enables standard rifles and machine guns to fire, instead of live ammunition, accurate but harmless "laser bullets" which, when they find their target, trigger an audible "kill" signal.

At the heart of the new system is a small battery-powered electronics package which can be attached to standard issue small arms. Under the control of a microprocessor, a low-power laser pulse is shot in the aimed direction when the weapon fires a blank cartridge in the normal way.

Soldiers wear an unobtrusive detector harness, which tells the wearer when he has been "hit" by sounding a loud alarm. (For added realism, the alarm can be silenced only by the "dead" man lying on the ground and remaining there until a controller decides to end the exercise.)

Soldiers are also warned of "near misses" so that they can become aware of being fired upon, and take evasive measures before a second shot puts them out of action.

The system, known as SAWES (small arms weapon effect simulator) has been developed for the Ministry of Defence by Centronic, a British company specialising in the design and manufacture of advanced electro-optical equipment. A contract has been placed for the manufacture of the first sets of SAWES equipment, due to be delivered next March.

Centronic Optical Systems of Croydon is part of the independent Centronic Group of British companies with more than 30 years' experience in the design, manufacture and servicing of high technology systems and components.

As a major supplier of high quality silicon photodiodes, photomultipliers, cathode ray tubes and nuclear radiation detectors, Centronic's manufacturing facility has full UK military approval to Defence Standard 05-21 and is supplying parts for NATO systems and space applications.

Although the SAWES concept is essentially straightforward, many technological hurdles had to be demolished to bring it to its present developed state, as Brian Kelly, technical director, said.

"For example, we had to detect infra-red radiation from a laser diode up to 2 km away, in the presence of direct sunlight perhaps 20,000 times more intense. We designed our own detectors, which are now about 20 times faster than most devices on the market."

Trials with the prototype equipment have already indicated that a high level of combat awareness can be reached by troops under training, similar to that of soldiers who learned their skills under fire in the field or urban surroundings.

Men can review their mistakes after each training session, and learn to avoid being easy targets as well as learning to shoot more accurately, which means that they are much better equipped to survive under real combat conditions.

JIM WRIGHT

Jim Wright is a technical editor of Eureka magazine, which specialises in engineering innovation. A full technical description of the system will appear in the January 1982 issue.

Surveillance radar at Edinburgh

USING A combination of the latest digital display technology and an X-band radar, Racal-Decca has developed the ASMI 18X surface surveillance radar, now installed at Edinburgh Airport.

According to Racal, trials show that the new radar system offers a radar picture of greater definition and detail than previous equipments of this type. Runway light housings, aircraft shapes and flocks of birds are said to be easily discernible. A man has been pinpointed on the screen walking along the runway edge two kilometres from the aerial installation.

ASMI 18X is the result of co-operation by several Racal companies with sponsorship from the Department of Industry and backing of the Civil Aviation Authority. Racal-MESL Radar based at Linlithgow, Scotland, designed and built a new digital scan converter, resulting in high quality picture. The company also modified radar hardware supplied by Racal Decca Marine Radar company.

After talking to two air traffic control officers, Racal designers realised that a prime need was for a display that could be easily viewed in the lighting conditions of a control tower. The choice of a scan converted display allowed this, and at the same time permitted greater flexibility with the display contents.

Suppression

Modular equipment is used to meet varying customer requirements and also to enable a phased installation to be made, giving greater cost effectiveness.

Later enhancements of the system will include video mapping, suppression of echoes outside the areas of operational interest, alpha-numerics and video recording. The technology is adaptable and will allow tracking, identification and colour to be used.

The 18 ft scanner and turning unit is lightweight compared with currently available equipment and is easily mounted on control towers without any strengthening. More on 0734 782158.

GEOFFREY CHARLISH

Hitachi 'breakthrough'

HITACHI HAS introduced its 2SK351, a power MOS FET which features a high breakdown voltage of 800 volts and a switching time of 80 nanoseconds. Hitachi claims a major breakthrough for the MOS FET developed as a power switching device for equipment using AC line voltage or more than 200 volts.

It can switch currents up to five amps or more if used in parallel. Hitachi Electronic Components is at Hitec House, 221-225 Station Road, Harrow (01-861 1414).

Palletising

"PAINLESS PALLETISING" is the description by Canterbury Conveyors for its Simpack SM 100 semi-automatic palletiser. Pack heights from 50 mm to 400 mm can be accommodated with a maximum load height of 1,850 mm. Canterbury Conveyors, Unit 3A, Canterbury Industrial Park (0227 712048) has an operational demonstration unit available for inspection.

Sodium luminaire

WELLGUARD, a high pressure sodium Wellglass luminaire designed for use in Zone 2 hazardous areas has been announced by Simplex-GE Lighting (078130 3003). Available with 50W and 70W lamps, the Wellguard is said to be able to operate at ambient conditions of 40 deg C.

Television

A depressing situation by CHRIS DUNKLEY

Time was when British situation comedy was out in the vanguard in terms of taste, daring, social comment, and international prestige. *Steptoe and Son* and *Till Death Us Do Part* were considered (rightly) so good as to have such universal appeal that the Americans bought both under "format deals" and, after adding an American gloss, launched them across the American networks with tremendous success as *Sanford and Son* and *All in the Family*.

But those brave days were ten years ago. Look at the picture now and it has been turned almost upside down. The most "outrageous" and enjoyable contemporary comedy on British television is *Soap*, a series imported from America without even an English gloss. (We manage to understand *their* accents without any difficulty it seems). Like *Steptoe* and *Till Death* in their day, *Soap* operate out on the leading edge of the permissible: current topics include *illegitimacy* and Danny's hopes of marrying a prostitute, as well as the long-running subjects of madness, homosexuality and so on.

Even *M.A.S.H.*, which in my view has been over the hill for a couple of seasons now and descending steadily from its peak still offers a more worthwhile way of spending half an hour than most of the current home-grown sitcoms. More striking still, *Bilko* — which the BBC, for reasons known only to itself, refuses to bill under any of its three known titles (*You'll Never Get Rich*, *The Phil Silvers Show* and Bilko) choosing instead to call it "Phil Silvers" – outclasses practically everything else on offer, though the *Bilko* shows are now 25 years old. As with a Stradivarius, *Bilko's* only change with the passing years is to acquire an attractive patina. Old or not, the scripts are some of the most fast-moving on television.

By contrast our current home-produced series are almost without exception slow, flabby, derivative or plain old-fashioned—and in some cases all four. Furthermore, on those increasingly rare occasions when their ambitions stretch beyond the coining of an honest penny for the script writers and the continuing employment of the (too often interchangeable) casts, they become so self-conscious and mannered in their dealings with more serious topics, usually feminism, that one cringes and changes channels.

There are exceptions within this generally dreary scene, notably *Hi-De-Hi!* the Perry and Croft series about a holiday camp on BBC1 which, if the form book is anything to go by, is probably approaching its peak right now. It was quite obvious with the first batch of episodes that we were on to something good, better probably than *It Ain't Half Hot Mum*, Perry and Croft's previous series, and possibly as good as *Dad's Army*, their first.

Though there is a tendency to lump sitcoms together—I am doing it myself—they are all different, of course, and Perry and Croft's more different than most in two obvious ways: they use big casts and they trade in nostalgia. *Hi-De-Hi!* which is set in 1959 is the most modern they have done, the previous two being set in World War II.

It is from these two factors—dated settings and big casts—that all Perry and Croft's characteristic strengths (and, some might argue, weaknesses) emerge. Though it is perfectly possible, as television drama has proved, to pursue contemporary themes in an historical setting—feminism in the story of the suffragettes, *Shoulder to Shoulder*, was an instance—it is much easier to distance yourself from such concerns, from the race arguments within *Til Death* and so on, assuming that is what you want, if you plump for the past.

Above all, though, it is the big casts and the way they are used, which mark out a P and C series. It has been the same with all their material. Just as novelists tell you that their fictional characters grow and develop willy nilly, so it seems, in a P and C series the characters adopt lives of their own and begin to evolve and expand almost beyond the script writers' control. Su Pollard's part in *Hi-De-Hi* is a classic example: having started as a minor rôle, her desperately ambitious chalet maid has grown into a central character. From now on—and this is P and C's strongest suit—her known obsessive determination to become a Yellow Coat will decide her reaction to any circumstance. They know that, and we know that, and most important of all they know we know. After the first few episodes of a P and C series the audience's familiarity becomes an integral part of the formula.

Thus when Spike, the apprentice comic, got up on the canteen table at breakfast time to lead the community singing of "Bobbing Up And Down Like This" (with actions) in Sunday's episode, regular viewers laughed in anticipation of the disdainful reaction of the awfly naice Yvonne with which, sure enough, we were rewarded. Such predictability would pall very fast in any normal four- or five-handed sitcom, as has happened already this season in *That's My Boy* (a vehicle for Mollie Sugden which suffered too many punctures) and is now happening with *A Fine Romance*. But with a cast as big as P and C's the possible relationships and inter-reactions are almost endless.

A scene from Hi-De-Hi

A Fine Romance looked for a while as though it would be a comedy in quite a different category from ordinary sitcom. There were hints that it had ambitions to being more like Charles Wood's wonderful 1977 serial *Don't Forget To Write*. I began to think that Bob Larbey might have written through from start to finish ensuring the sort of over-all composition that you get from a serialised novel. Moreover Michael Williams and Judi Dench showed signs of working together with greater subtlety of understanding than you generally expect in sitcom (which could have something to do with them being husband and wife).

But after seven episodes my hopes have shrivelled. It is a fond and endearing series, but it has moved so slowly and been drawn out so thin that, like stretched chewing gum, it sags and threatens to fall apart.

What can be said for the rest? Like *A Fine Romance* many of them are domestic sitcoms. *Terry And June*, which must be in its seventh or eighth year by now, is still carrying on where *Life With The Lyons* gave up. It provides half a dozen smiles per episode and, I assume, offends nobody. It would certainly be a shame if someone as talented and likeable as June Whitfield was absent from the screen. Furthermore, cutting social comment is not everybody's cup of tea and there must be room on a three-channel television system for inoffensively mild suburban sitcom. But where *is* the social comment?

It doesn't get into *Cowboys* which, however, can at least claim to exploit true knockabout *situations*. Last week the hapless handymen ended up with an operating theatre knee-deep in water; pure Laurel and Hardy. It didn't get into *To The Manor Born* which might well have been financed on subscription by the Women's Institute. (Yes, yes an admirable organisation.)

And while there is something a little more serious behind Carla Lane's latest domestic brew, *The Last Song*, I do not think that her material can any longer be called sitcom. *The Liver Birds* was, *Butterflies* was in part, but this latest series looks more like a distillation of the fiction and the agony page from a woman's magazine. It is occasionally touching, though Liz, the young girl for whom the older surgeon has left his wife, sometimes seems written with that quality too deliberately in mind. Anyway it isn't uproariously funny.

When shall we get back to British situation comedies which are not only touching but important? Not just funny but brave? The successes of the mid sixties were a part of the age: such tough, confident and challenging comedy material could perhaps only emerge in a period of relative optimism of the sort characterised by London's image in the "swinging sixties." The presence of Hugh Greene as the liberal Director-General at that time was closely involved as both cause and effect in the wider scene of confidence and originality. Can Alasdair Milne do the trick again? Let's hope so.

* * *

Everyman's report on Sunday proved that the question left out of that enormous poll of attitudes in the EEC was the most crucial: "Who do you think are the biggest hypocrites?"

Opera in Paris

Sémiramis by RONALD CRICHTON

The Lyric theatre in Paris has its ups and downs—sharper more extreme, than the divergencies from solid mediocrity our duller capital knows. Over there, excitement *is* all. The main reason for this visit to Paris was the expected reopening of the Opera after reconditioning. Rameau's *Platée* had been chosen, not a new production but a reworking of one devised by Henri Ronse four years ago for the Opera-Comique. That was an eye-catching show in Beni Montresor's designs. Musically, apart from a brilliant account by Michel Sénéchal of the drag title-role, it was uneven. This time Sénéchal was to appear again, alternating with Bruce Brewer. Charles Farncombe, whose Covent Garden *Castor et Pollux* for the English Bach Festival is fresh in the memory, was to conduct his own realisation of *Platée*.

No such luck. Ronse, one was told, was unhappy with the proposed new choreography of Gigi Caciuleanu. There were resignations and departures, and when (for reasons presumably unconnected with aesthetic questions) an employee privileged to work the switch controlling a new stage curtain declined to do so, the general administrator Bernard Lefort slammed the door and cancelled the performances. So the Opera's botched *Dardanus* of last season has not been avenged and the day of the full restitution of Rameau in his own country still has not dawned.

If the cancellation of *Platée* was a big "down," the Opéra's activities elsewhere in Paris included in compensation one big "up." What they present as *Sémiramis* is Rossini's *Semiramide* from the Aix-en-Provence Festival, adapted by the producer-designer Pier Luigi Pizzi for the Théâtre des Champs-Elysées (in co-production with Turin and Genoa), and put on for eight performances with Montserrat Caballé and Marilyn Horne. The success was colossal. Tickets, with top prices about £50, were not to be had, the audience on the night I was there wildly enthusiastic and by Parisian standards keenly attentive—virtuosity of a high order is something they do appreciate.

Virtuosity was in abundant supply. The two divas were in shining voice — Caballé in the title-role of the Babylonian Queen who has murdered her husband, Horne as the young warrior Arsace (a contralto role) whom the Queen hopes to marry, until she discovers he is her lost son, and who stabs her mother in the dark in mistake for another. No discredit to these fabulous creatures to suggest that they shared the interest of an absorbing evening with Rossini and the other interpreters. *Semiramide* is the remarkable culmination of the composer's florid style, with decorations that on the printed page rather resemble a Handel harpsichord piece—glittering swathes of notes almost hiding the tunes on which they are hung. For much of this opera the decorations are the thing, and Rossini ensured that they were strictly written down, not left to the singers.

Pizzi's view of this grandiose halfway house between 18th century opera seria and 19th century grand opera is sharp and consistent, not complete, yet more illuminating than one dared hope. What is missing is size—the extra, *Aida*-dimension of on stage bands and processions. Economy and a comparatively small stage (but what excellent acoustics) no doubt played a part, yet economy did not act as a brake in Pizzi's imagination as it has seemed to do in London. His white-faced Babylonian grandees hung with architectural emblems, half Tenniel's *Alice*, half Chirico's surreal costumes for Diaghilev's *Le Bal*, the fuzzy white wigs, bright white walls, ramps and sliding panels with deeply incised Assyrian motifs, created a fantasy-climate in which the divas, neither of them little slips of things, could appear credible, even probable. Everything was carried out with an elegance and precision of workmanship foreign to our stages.

Caballé was transformed from the moping, perambulating fitfully eloquent singer we have lately heard. She started threadily, it is true. The once famous "Beluraggio" was sunless, but the tone warmed into life in the first of the two duets with Arsace. Thereafter, a few lymphatic moments apart, there was rhythm for the fast music as well as the old fine-spun delicacy for the sprays of notes which blossom alike in recitative, aria and ensembles. The Prayer in act 2 was limpid as a brook. One could see why Colbran, Grisi, Patti, Melba and other great sopranos hugged this role.

Horne, caramel-smooth, astounding even over the wide range, had neither her partner's nervosity nor her sudden shafts of intuition, yet the placidity (and friendly smile) with which she sailed through acrobatic feats is probably just what Caballé needs to strengthen her confidence. Horne's assurance, and her voluminous scarlet cloak and plumed helmet combined to suggest a stylised Baroque hero. The wicked Assur, joint regicide with the queen, was the admirable American bass, Samuel Ramey. His big scena with chorus brought the evening's most striking piece of dramatic singing — the producer wisely allowed him more freedom of movement here than the carefully regulated ceremonial poses used elsewhere. The comparatively minor tenor role of Idreno was nicely taken by Francisco Araiza.

Under the undemonstrative but alert and percipient Jesús López Cobos, the Opéra orchestra, which does not respond to every conductor, showed unmistakable relish for the good things Rossini continually slips into the instrumental part. I do not recall any second verses of cabalettas and thought the notorious goose-pimple "shivering" effect in the tomb scene (familiar from the overture but now in triple time) was shortened—a pity, since in practice it comes off very well. The role of the dim princess Azema, who has no solo music, was reduced to a veiled figure adding unnecessary mystery. Yet, given the impatience of Parisians, the edition was not too stingy. One more famous old opera commonly thought beyond resuscitation has been proved viable—given the right performers.

On the following evening France 3 showed a TV film of *Les Troyens à Carthage* (*La Prise de Troie* was seen the night before) in the staging seen at last year's Berlioz Festival at Lyon. Producer (Louis Erlo), conductor (Serge Baudo—excellent) and cast, with Margarita Zimmerman as Dido and Stan Unruh as Aeneas, were the same as Max Loppert described at the time. The TV "realisation" was the work of Maté Rabinovsky. Austere viewing, with white-draped soloists confronting one another at great distance along a rocky ramp behind tiered chorus singers in day dress. Next to no colour and no dancing, so that during the ballet music the cameras had to "pick out the instruments" with a vengeance. Captions and explanations were reduced to a minimum. One wondered what newcomers to Berlioz made of it all, yet to a confirmed lover of this opera the two hours and 40 minutes without any break were a most convincing demonstration of the music's unique quality.

Turner in France by NICHOLAS POWELL

The Centre Culturel du Marais in Paris, doomed to close early next year, is offering as its swan song a rare opportunity to view 250 watercolours and numerous sketches by Turner, all of them inspired by the painter's many visits to France.

Most of the works have been especially brought out of storage at the British Museum and Oxford's Ashmolean for the exhibition (which lasts until January 10) and are being shown for the first time.

Turner first visited France in 1802, during the precarious Peace of Amiens and, while his compatriots flooded over to study political change he applied himself to sketching fishing boats in Calais harbour—sketches which later grew into works such as "Calais Pier."

As the exhibition clearly shows, Turner then headed straight for Lyon, hardly bothering to sketch or paint anything until he got to the Alps. He was 27 and already a member of the Royal Academy with a solid reputation and his avowed interests at the time were mountains and sea.

Most of the 1802 paintings use a mixture of pencil, chalk and watercolour on paper prepared with a grey wash and tackle plunging views and extremes of light conditions—often setting large blocks of shadowy foreground off against huge cold skies and distant mountain ranges.

The Paris exhibition shows clearly how Turner, later in his career, began sketching more and more in watercolour alone. The works of 1845, for example, during Turner's last visit to France are bold, impressionistic sketches of the North coast which attempt to seize fleeting light conditions on sea and wet beach.

Turner's technical virtuosity and method of preliminary sketching is finely illustrated by three watercolours of Grenoble Bridge which culminate in the superb 1824 work in pen and black ink, brush and watercolour.

The Grenoble area was one of Turner's favourites and the subject of a large number of pencil and watercolour works between 1802 and 1824. Later watercolours, many of them no bigger than modern postcards, and with astonishing qualities of luminosity, cover many different areas of France.

During the 1820s Turner was particularly fascinated by rivers and in 1826 made a fruitful trip down the Loire Valley. In 1830 he visited Dieppe, Rouen—there is a magnificent watercolour of the cathedral — and Paris, where Turner concentrated on what have since become classic postcard views—the banks of the Seine, Notre Dame, the Palais de Justice.

To get the public into an appropriate mood of "sensitivity" before visiting the exhibition proper the Centre Culturel du Marais has invested in an impressive albeit gimmicky process of what it calls "deconditioning." This consists of a ghost train-like ride in individual wooden tub wagons through barely lit rooms containing enlarged reproductions of Turner pencil drawings. More effective is the care taken with the exhibition itself: each work is individually lit and set off by carefully chosen background colour.

The subjects of the paintings are printed on the floor in red lettering. This prevents visitors from craning forward to scrutinise the small print every time and means that no painting is obscured by a cluster of heads—a rare boon.

Royal Court

People Show Cabaret by ROSALIND CARNE

I first saw the *People Show Cabaret* one boozey, smokey Sunday night at the old Albany Empire. They seemed much happier there. Tucked behind the Royal Court's proscenium arch, Mark Long's jokey self-deprecation sounds dangerously like the real thing. Cabaret can work in traditional theatre buildings, but this front man needs to rethink his act. He is lanky and soft spoken with a spine like a jelly fish. His jokes are as flat as his accent, and not the least of his talents is his ability to arouse audience aggression amounting to a physical desire to pummel him to the floor. This may be a purely personal response, as it is one I have experienced before in connection with tall thin men who enjoy mimicking Elvis Presley.

With a nice irony, it is his acrobatic partner, Emil Wolk, who gets the knocks. A Chaplinesque clown with a rubber body, he appears perfectly relaxed in the most testing conditions such as reading a newspaper during a backward somersault. His falls, cartwheels and backflips are most impressive.

A little downstage, pianist Chahine Vavroyan and wizard saxophonist George Khan, give a steady jazz ambience, occasionally joined by the feuding frontrunners on a pair of horns. There are no songs, no dances, very few good lines, and the best gags are visual. Emil strips in a frenzy of camp exhibitionism to a manic drum backing like the soundtrack of a silent movie. George commands the keyboards, as the rest of the troupe vault over the piano, arms entwined, legs entwined, one man's feet all but stamping on another man's head. A streak of the absurd glimmers through the proceedings as extraneous objects creep inexplicably in a small stuffed animal, and a pure white dove which comes to an untimely end. These manic goings-on take place in front of a shabby set of piled up bottles and corrugated iron.

Linking all this is Glen Miller's *In the Mood*. Time and again the group start to play and are taken up by a new diversion. Their meanderings make for a fluid, seamless show which hangs together well, but for some reason, time perhaps, has lost its punch.

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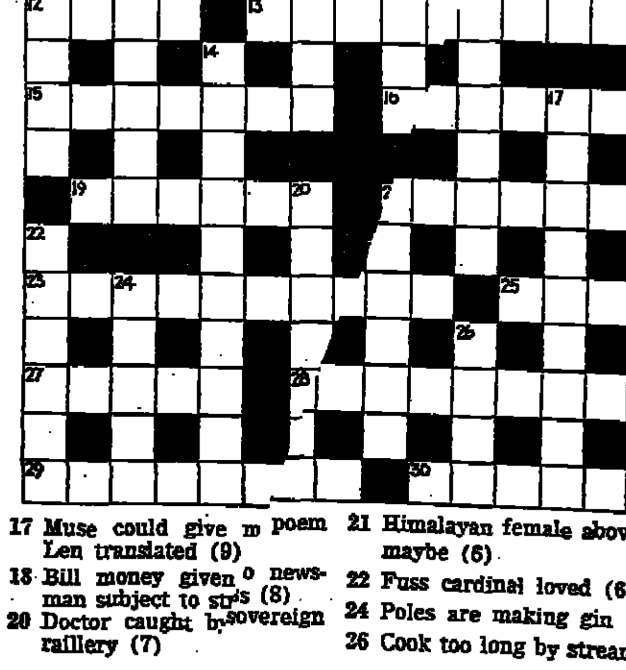

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Solution to puzzle No. 4,750

NOTRIGHT ANSELM
O H N A U M U
THEGRAVE UNREAL
I O O E E R B
CARTAWAY WANGLE
E Y D P S T E R
JACKHORNER
A F L R E N T Y
CORRECTIVE
C E A Y I C O F
ORSINO ENTRANCE
R H T G E A A
DARWIN STRONGER
E U M O L E E
DONKEY INTERRED

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Wednesday December 16 1981

Investing in vital skills

THE £4bn which the UK Government has allocated for training over the next three years is an impressive figure. It is nearly 70 per cent more than the public spending previously budgeted. Since most of the money is intended to finance training for the young unemployed, particularly those unable to find jobs after leaving school at the minimum age of 16, the provision is timely and equitable. By comparison with a 16-year-old school-leaver, graduates who have less difficulty in obtaining work have each had an extra £20,000 spent on their higher education.

Productive

But financial provision will not by itself secure the more appropriately skilled, adaptable workforce depicted by yesterday's White Paper as the pre-eminent resource of economic recovery. This is especially so given the Government's aim that access to responsible jobs should depend on proven possession of the skills essential to success in the activity concerned.

Although training in the precise sense of developing such essential skills was identified as productive investment by Adam Smith in 1776, the UK largely still prefers less specific criteria for matching young people to the more rewarding forms of employment. For example, entry even to apprenticeships has become increasingly dependent on *the level a candidate* has reached in the hierarchy of academic examinations. Young people's prospects are decided by the general form of their previous experience rather than by its content in terms of the specific skills thereby developed.

Contentious

This tendency *cannot be* reversed without a radical change in attitudes. It will need, as the White Paper states, wholehearted co-operation from "employers, trade unions, local authorities, voluntary bodies and not least the trainees." But the necessary co-operation may be inhibited by some proposals in the programme—as is exemplified by its main element, the Youth Training Scheme.

From September 1983 the scheme will provide a year's activity partly in colleges and other centres and partly on employers' premises for 300,000 young people. The great *majority will be those* unemployed in the year after leaving school at 16. One contentious point is the proposal to coerce these 16-year-olds to join the scheme by withdrawing their right to supplementary benefit, currently about £16 a week. Another is the plan that during the training the 16-year-olds would receive an allowance of around £15 weekly mainly to cover associated expenses. To justify the low allowance, the Government comments that, had the trainees instead continued their full-time education, they would have remained financially dependent on their parents.

has described these proposals as liable to "make it impossible for unions to maintain their com*mitment." The proposals could* also be a source of discontent among intended trainees especially in aeras such as Toxeth and Brixton—a point unlikely to escape extremists keen to provoke disorder. Teenagers in poor localities tend not to continue in full-time education. One erason may be that their parents cannot maintain them fin*ancially without help beyond* that consumed by the expenses of attending courses.

Reluctant

The Government contends that the £1bn annual fund for the Youth Training Scheme would not permit higher allowances without a cut in provision of places. It is admitted that some employers might add to the allowance of trainees on their premises, but ministers seem reluctant to ask employing organisations to furnish extra money sytematically. If the Government is serious in its aim of freeing access to skilled work from the blockage imposed by poor social circumstances, it *would do well to pursue this* possibility.

But the crucial factor is that the trainees should not be fobbed off with activities which, instead of developing skills essential in adult life, consist largely of diluted academic education served up under new names. The present lack of methods and staff able to inculcate such skills is noted in the White Paper, but it is far from emphasised. Immediate efforts to repair this deficiency, in schools as well as in later training, are indispensable if the programme is to prove worthwhile.

Bold gamble in Belgium

MR WILFRIED MARTENS, Premier-designate of Belgium, has decided to attack the *Belgian economic crisis boldly.* He will need all the boldness he can summon to succeed, and a measure of luck to boot.

The political balance of the country was left delicately poised by last month's elections. The two proposed coalition partners — Mr Martens's Christian Democrats, a party of the centre, and the Liberals to their right — command only a bare majority in the Parliament. Since the special powers that he wants to speed up economic reform require a simple majority only, the arithmetic is in his favour, but only just.

Economic problems

The sharp division of the country into a Dutch-speaking Flemish part, and a Walloon section where French is spoken, is not in his favour. It cuts across party lines, and Mr Martens will constantly have to keep an eye on the Walloon section of his Christian Democrat "family." Stresses will be made more acute by the intention to consign into opposition the Socialists who, at the election, held their own in Flanders and made advances in Wallonia, where Belgium's economic problems are most acute.

These economic problems boil down to the fact that Belgium is saddled with more than its fair share of ageing industries, in particular steel, coal and textiles; that Belgium, as an unusually export-dependent country, has been especially hard hit by the world recession; and that the indexation of wages has caused an uncomfortable rigidity of industrial costs.

The results have been a current account deficit, estimated by the OECD at 5 per cent of GNP, which has been plugged by heavy foreign borrowing at a time of high interest rates; a Public Sector Borrowing Requirement equal to 14 per cent of GNP; and unemployment ratios rising as high as 30 per cent in the black spots of Wallonia.

Mr Martens's programme is not yet fully known, but he intends to limit next year's budget deficit to BFr 200bn (about £2.7bn) instead of the BFr 327bn foreseen; to make tax concessions designed to *encourage investment by Belgian industry* and also to revive the inward flow of foreign direct investment which gave the economy a healthy look in the 1960s. The objective is a fitter and more modern Belgian industry.

The boldest proposal is to suspend the indexing system in such a way that wages and salaries rise by *no more than* 3 per cent next year. That implies a loss of purchasing power after allowing for the forecast rate of inflation of 6 per cent. It was a previous proposal of that nature which brought down Mr Martens's last government in April, when the Socialists pulled out.

In their new role of opposition, if Mr Martens gets his coalition approved by the Christian Democratic and Liberal Party meetings today, the Socialists can be expected vigorously to defend wage indexing. That is why Mr Martens wants special powers to get his package approved quickly.

Economically, Mr Martens's approach makes sense, provided that the economies and incentives proposed reduce Belgium's dependence on outworn industrial structures propped up by huge subsidies.

Capital imports

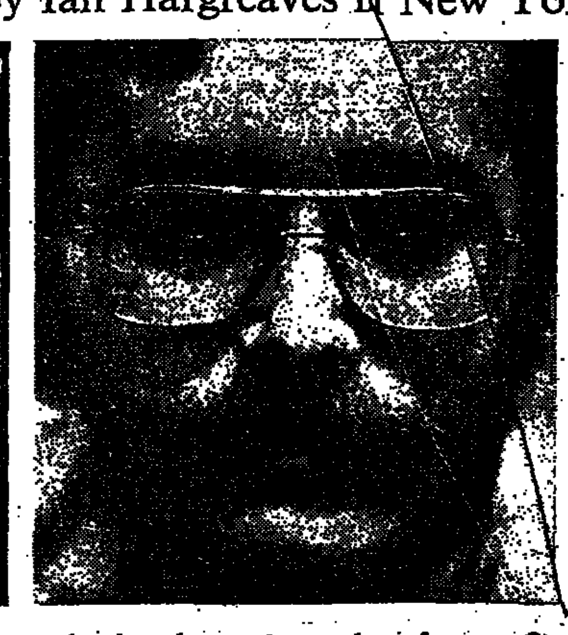
By themselves, Mr Martens's proposals will not end the constant fight between Dutch and French speakers for a larger *share of the cake.* In political terms, therefore, he is taking a big gamble that the economic measures he proposes will work sufficiently quickly to prevent serious damage from the political polarisation between left and right and the ethnic polarisation between Dutch and French speakers.

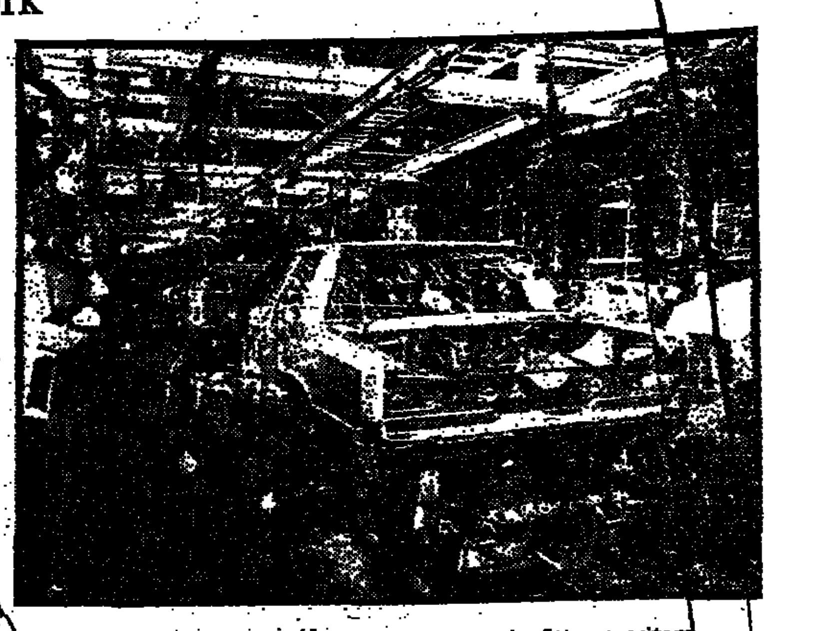
It is a gamble worth taking. Allowing things to continue to slide *might soon imperil* Belgium's first class standing as an international borrower, and with it the capital imports that have been a mainstay of the economy. Inaction would not have solved the ethnic conflict either. The blighted steel cities of Wallonia are an argument not for mummifying the past, but for rejuvenation and diversification.

U.S. CAR INDUSTRY

Mr Riley and the robots

By Ian Hargreaves in New York





From the jungle to the turkey farm. On the left, spot welders at work using weld-guns on long leads. On the right are robot spot welders. Mr Charles Riley (centre) moved to become a maintenance man with the robots because "I have always wanted something better."

WELCOME to the turkey farm. It is, says Charles Riley, a whole lot better than the jungle.

Mr Riley knows, because he spent 12 of his 34 years in the *jungle, which is the accurately* descriptive name American autoworkers have for the bays where spot welders stand, surrounded by the thick black creepers of weld-gun leads, grabbing one gun after another to burn welds in the skin of a passing motor car.

"You have to get yourself into a different frame of mind *to do that job. You find some*thing to concentrate on. If you don't, it will tear you in pieces," he recalls of those eight-hour shifts, during which time a man and his cluster of four guns, each the size of a small, suspended road drill, will administer more than 4,000 welds. "They'll burn the heck out of you, singe your skin," he says if asked about the physical rigours of the job, but adds: "I didn't mind the job myself, but I have always wanted something better."

Today, Mr Riley has found something better, because robots have claimed his old job. He is a maintenance man on the line of Italian-built robot spot-welders at the Chrysler *assembly plant in Newark, Dela*ware. His task is to keep the turkeys—the automatic welders—in pecking order. His $11.14 per hour makes him and his fellow repair-men the best paid men on the shopfloor.

To watch Charles Riley at work, puzzling the sequence of a computerised light console or readjusting the cassette programme to "teach" the robot a more satisfactory movement, is to glimpse an important piece of industrial change. His story also sheds light on both the shaky company and industry from which he makes a living.

The son of a crane driver, Charles Riley left school at 18 with no particular objectives. At age 19 he had a wife and child and, after two brief jobs elsewhere, a place on the spot-weld line at the Newark assembly plant.

In many ways the plant is not typical. Built in 1952 to produce tanks for the Korean War, it benefited from a $50m modernisation last year to start production of the Chrysler K-car. With only 4,600 workers, or *6,000 at peak production,* it is quite small, although the main assembly area measures half a mile by a quarter-mile and bicycles are used for cross-plant travel. About 75 per cent of the workers are white, which is an unusually large proportion, and because the plant is more or less in the country, everyone drives to work. There is no public transport.

Charles Riley is not badly off himself. His wages are not just the best in the plant, they are probably the best industrial wages in the state. He owns a Honda 750 cc motorbike, an MG Midget sportscar and a Ford truck. He also owns a house across the state-line in Maryland, 15 miles from the plant.

His first *eight* years with Chrysler demanded little serious thinking. He contributed welds to a million or so Plymouths

200,000 autoworkers are on indefinite lay-off

and Dodges, mastered the tedium, witnessed the odd horror such as the crushing to death of a fellow-welder by a half-assembled car and did his best to enjoy life. Then came the oil crisis.

"I was laid off for two *weeks," he remembers. "then* I came in to collect my pay check and was laid off indefinitely."

Today, in the middle of a crisis graver than 1974-75 for the industry, 200,000 U.S. autoworkers are on indefinite lay-off. That means they will be recalled at the employer's desire, if at all.

Charles Riley's lay-off lasted nine months, as the plant went from two shifts to one and he, as an employee without adequate seniority—eight years at the time—had to go. He made use of the time to build up his private electrician's odd-job business and attend the RCA technical institute for TV and radio repair.

When an autoworker is laid-off, the industry contract ensures, however, that he will not starve. In addition to state unemployment benefit, a worker gets supplementary unemployment benefit (SUB) from his company, taking income to more than 90 per cent of normal wages for at least 26 weeks. The problem is that if a company's SUB fund gets depleted, as Chrysler's now is, there would be no SUB. If Mr Riley were to be laid off today, he believes he would get $150 per week unemployment benefit, compared with the almost $500 per week he is making in work.

The crucial calculation in his mind now, however, is that after 15 years with the company, he has enough seniority to survive the curtailment of one of the plant's two shifts.

That calculation became important when, three years ago, Mr Riley made an important decision to abandon a spell in management as a foreman on the spot weld line, because of a provision in the 1979 United Auto Workers Union (UAW) contract which said a man who went into management grade could not count those years in his seniority figures if he went *back to the shopfloor.*

Mr Riley decided at once to go back to his tools and continue adding to the seniority which not only protects him from lay-off, but which will also enable him, incredibly, to retire in 15 years' time at the age of 49 in the UAW-Big Three "30 years and out" entitlement.

It was then he applied to the UAW locally for permission to cross traditional skill demarcation lines and go into maintenance.

"I could see automation coming," he says, and indeed, welding automation has evolved over several years rather than appearing in a flash for the new generation of cars. Multi-welder units, for example, have been common for several years for making series welds on a flat surface By the time the "turkey-farm" was in prospect, Mr Riley was a reasonably experienced weld gun repairer with some wider electrical training and a willingess to take on the electronics of the new job.

A lot of his friends, however, did not think he made a good choice either in abandoning his foreman's job or in embracing the turkeys. "I earn two dollars an hour more than them and I watch them working their *butts off. So who gets the last* laugh?" Certainly the company did not find it easy to persuade men to come across from the production side to the turkey farm, where of course there are no conventional production jobs. Of the 80 weld-gun repair-men at the Newark turkey farm only about 15 came from within the plant, which Mr Riley feels is a pity because he thinks the old Chrysler hands, who have lived through the near death of the company, today have greater commitment to quality work standards.

His work day begins at 5.18 am, when he arrives at station 3470/F1, which contains four of the plant's 72 Unimate robot spot welders in the plant's pre-tack *line, where the first welds* are made to tack the car body together.

First he watches the start-up of the line and assesses the performance of his robots. Each one carries out eight to 10 welds per unit, making 40 to 50 distinct manoeuvres in the process. The sides of the car shuffle into the welding bay by overhead monorail, the turkeys simultaneously contort their concertina necks and probe for the spot to weld. On full song, the Newark line can handle 95 units an hour, but 50 to 60 is more normal. The weld itself looks as easy as crimping pastry.

The weld-gun maintenance man's job is *to test the quality* of the robot's welds on a random basis, by thumping them with a hammer and screw-

"I would love my son to get my job"

driver, to chip carbon from the gunheads to unsnarl snarls, which appear to be frequent, often caused by things like poorly pressed stampings which are sent to Newark from another plant and to teach the robot when it wanders off the *straight and narrow and starts* welding in the wrong spot.

Of two things Charles Riley is convinced: the robot is a better welder than he was ("it never gets tired") and that this piece of automation has not cost jobs, given the needed increase in maintenance people. Nationally, the UAW has long endorsed this welcoming view of *new* technology, although Mr Riley says there was some local anxiety about the new breed of repair men infringing upon millwright and pipefitter territory.

So Charles Riley is certainly not looking back. "I have got a ten year old son and would love to see him get my job. I can't put it any better than that," he says.

The general conditions in the plant have, he maintains, within the 15 years of his own experience, improved from "piss poor" to acceptable. It is only in this time that basic amenities, such as a table, chairs and drinks machine have been provided in the line-side rest areas (46 minutes of paid break are *allowed per shift plus* 30 minutes unpaid for lunch). Before that, men sat on boxes or piles of metal.

Today, the assembly plant is also quiet enough to hold a conversation in an almost normal voice, although stamping plants and foundries are obviously noisier and hotter. Still, walking around the mobile production maze at *Newark, it is hard to* imagine that only ten years ago a worker at a Chrysler axle plant went berserk with a machine gun, killing three men and that during the trial a juror yelled: "did you see the cement room in that plant? working there would drive anyone crazy." The man was found not guilty of murder on the grounds of temporary insanity.

That is not to say that hazards do not exist at the Newark plant, especially as a brief management campaign to force use of hard hats is long forgotten. Even in the turkey farm, the new monorail *system* is apt from time to time to get greasy and send a great sheet *of jagged metal hurtling out of* control. The number of accidents today, however, is 25 per cent less than a decade ago.

But the biggest change of all, just about everyone agrees, is in the relationship between management and shopfloor workers. "We have much better communications, more worker involvement," *says* Don Coefield, the plant's personnel manager, who says he cannot remember the last labour stoppage, "it was so damned long ago."

Men & Matters

Orienteering

When Vickers da Costa blazed the City's investment trail to Japan some 20 years ago, John Morrell was among the first of the pioneers who followed to cultivate the new frontier. "It was considered a very eccentric thing to do in those days," says Morrell, who next month becomes executive chairman of Henderson Baring Management with oversight of more than £350m investments in the Far East markets.

Morrell put together a Japanese portfolio for Henderson Administration in 1965—but was ordered to disinvest after one of his bosses had visited Tokyo and concluded it was "not a serious place for a trustee to put money.". "I became known as the honourable pig-in-the-poke director," but that portfolio would have quadrupled over the next five years," he reflects ruefully.

Henderson, in fact, set up the specialist Far East service that has now become HBM in 1971 — but by that time Morrell had moved to Robert Fleming as a director. There his enthusiasm for the Far East markets was given full rein. He was a founding director and first chairman of the Fleming Japan Fund and a director of Jardine Fleming in Hong Kong.

"I was always confident that the Far East was the great investment growth area," he says. "But I never dreamed how far and how rapidly it would develop."

But it is Japan, to which he has now made some two dozen trips, that fascinates him above *all. "It has strengths in the* way it goes about its business that we seem to have lost," he says. "It has good organisation and a consensus that enables it to operate a successful market economy within a framework of a modern and fair social democracy."

For the past few months Morrell has been writing a book about the lessons that Britain might draw from it—and which he believes may have some relevance to the development of centre party politics here.

"In the present weather conditions . . . you never know!"

Marking time

American Express cards may well say more about you than cash ever can—but they seem to be having a few linguistic difficulties in East Germany, as my man in the shadow of the wall discovered when he tried to pay his bill with plastic money at East Berlin's Palast Hotel.

"I'm sorry sir, we can't take this" said the cashier, cheerfully oblivious to the publicity material on her desk proclaiming a warm welcome to American Express cardholders.

It emerged that while the Palast is happy to accept American Express cards issued in Britain, the United States or indeed almost anywhere else, it does not welcome those issued in West Germany. Which was, unfortunately, the parentage of the card presented by my colleague—though American Express in London tells me that it knows nothing of this territorial discrimination.

Some gentle political pressure was tried: "*I paid a* bill in Moscow with this last year," said my man, "and if it is good enough for Mr Brezhnev, surely it is good enough for Mr Honecker?" Quite how diplomatic this approach was I can hardly say, but the hotel reception remained unmoved.

The only answer was to pay *in cash—Deutschmarks. Which* it does not take a financial wizard to deduce were also issued in West Germany. Nonetheless, cash would do nicely, Sir. Funny business, politics.

Cliffhanger

All quiet on the Cornish coast this week, as the National Trust moves closer to a decision on whether or not to bid for Land's End, put up for sale last month by owner Charles Neave-Hill. An announcement from the Trust had been expected on Friday — but I gather that the various calculations and investigations which the Trust is undertaking could delay the outcome until mid-January.

The matter has *already* received the scrutiny of the House of Lords — though it does seem to have presented some conceptual problems. Hansard records the following dialogue last Thursday:

Earl of Avon: . . . One of the difficulties about Land's End is that it is difficult to know what actually we are trying to preserve.

Lord Strabolgi: Oh, come on! and again:—

Earl of Lauderdale: My Lords, can my noble friend tell the House where Land's End begins?

Earl of Avon: No, my Lords, I can only tell my noble friend where it ends.

Be that as it may, Lord Avon also told the Lords that the Countryside Commission has put forward proposals to enable it to offer grant aid to the Trust to buy Land's End — though Lord John-Mackie thought it would be a nice idea if Prince Charles bought it in his capacity as Duke of Cornwall.

Both the National Trust and the selling agents, Humberts, are playing their cards very close to their chest—a technique at which Humberts proved itself most adept when it sold Highgrove to Prince Charles. It is known, however, that over 250 serious inquiries have come in response to Humberts' advertising—a high proportion, I gather, from Britsih sources.

Ice pick

Looking for a more adventurous holiday next year than two weeks in Torremolinos? Well, here it is—an ice-safari on *Svalbard, perhaps better known* as Spitsbergen.

Billed by the Norwegians as "the world's most rigorous package tour"—and that's saying something after my experiences on the Spanish coast—it will cover territory hitherto untrod by the tourist foot.

But you will have to pass some stiff tests before you ever get to the Arctic islands. The tour operators want to know your heart condition, blood-pressure and pulse rate as well as a doctor's opinion of your general physical and mental stability before they will accept your application to join the tour.

Particulars of any firearms certificates must also be supplied. When the hikers arrive in Longyearbyen, they are not only kitted out with equipment for crossing glaciers but issued with guns and ammunition for protection against mauruading polar bears. Oh, just one more thing they want: a firm promise not to pick the flowers or leave any litter.

Observer

FINANCIAL TIMES SURVEY

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SPAIN

The coup attempt of February 23 showed that the military still plays an important part in the country's affairs and that more time is needed for the country's progress to true democracy. Meanwhile, the newly-reshuffled government must contend with party differences, a serious drought and continuing recession.

Paradox behind the new Spain

By Robert Graham
Madrid Correspondent

AMONG THE well-known people who came to celebrate the installation in Madrid of Picasso's famous painting Guernica, in October, was the Catalan architect, Josep Sert. Sert, Dean of Architecture at Harvard University, recalled in a newspaper interview his amusement at the present state of Spain.

He was with Picasso in Paris in 1937 when Guernica was first exhibited—at the height of Spain's civil war. No one would have dreamed then, he said, that one day the painting would come to a Spain with a democratic monarchy, be exhibited in a museum presided over by a priest and be protected by members of the Guardia Civil.

If anyone had considered such a possibility it would have been laughed off as a bad piece of Bunuel surrealism. Yet this is present-day Spain with all its curious contradictions.

The former Republicans and the heirs of Republicanism have accepted a democracy headed by a monarchy. The monarchy, which seemed an anathema for so long, and not just to the Left but also to the Falange on the Right, has now become the linchpin in Spain's fragile new order.

A more subtle contradiction surrounds Guernica, for the bombed Basque town it represents is the symbol of Spanish suffering during the Civil War. Picasso refused to allow the painting into Spain, although he recognised this was where it belonged, until democracy had been restored. It is now being protected in an annexe to the Prado Museum by the Guardia Civil—the very same corps which provided the rebels who took over parliament on February 23 and sought to overthrow Spain's democracy.

Indeed it is ironic that Guernica should be returned to Spain at a moment when democracy is looking so fragile. The traumatic events of February 23 when parliament was occupied and the third military region, comprising Valencia, was put under martial law by its commander, cast a long and gloomy shadow over the country.

The coup attempt was a military failure and exposed the armed forces as divided and hesitant. No regional military commander followed the example of Gen. Jaime Milans del Bosch in Valencia, even though some were known to be sympathetic to the idea of a military-backed government of national salvation.

Since the death of Franco in 1975 the military have been treated with a carrot and stick to bring them into the democratic fold. The coup attempt revealed how little this policy had achieved. Rather it showed that an insufficient number of the military understood, or believed, that their grievances about the state of Spain should be channelled through parliament. Instead, all the evidence suggests that they still have little faith in parliament.

This is extremely serious when they do have genuine grievances, which are shared, at least in part, by a good many ordinary Spaniards. Further, Article Eight of the Constitution enshrines their role as the ultimate arbiters of Spanish sovereignty—at least they can interpret its provisions as such.

Before the attempt their principal grievances were these: an irrational and piecemeal approach to regional autonomy was leading to the break-up of a unified state; terrorism, especially that of the militant Basque separatist organisation, ETA, directed against the armed forces was weakening the state's authority; the political parties were too preoccupied with their own internal politics; legalised trades unions were leading to anarchy on the shop floor; and politically-motivated promotions within the armed forces were an unwarranted interference.

Message

It is a measure of the infant democracy's weakness that since the events of February the carrot has got bigger and the stick smaller. Swift and summary justice against the plotters was ruled out and a hands-off-the-military message went out — not least from King Juan Carlos himself. Since then there has been a conscious attempt to woo the military.

The Press, with a few brave or foolhardy exceptions, has sought not to antagonise the armed forces and the politicians have eulogised them to an unreal degree. The politicians' fear of the military forced the ruling Union de Centro Democratico (UCD) and the Socialists into each other's arms to hammer out a much-needed rationalisation of regional autonomy.

It has reduced the Communist Party to a whimper and the trades union movement to unprecedented passivity. It has also proved the catalyst for a more effective anti-terrorist campaign; and for the first time in five years the security forces are on top. Finally, it helped force unions, employers and government to agree on a social contract to limit wages and fight unemployment.

Sr Leopoldo Calvo Sotelo, who took over as premier in February after Sr Adolfo Suarez resigned, has tried desperately hard to give an image of authority in difficult circumstances. But the image has worn very thin on occasions.

The one institution to emerge from the coup with prestige reinforced was the monarchy. King Juan Carlos as Commander-in-Chief of the armed forces and as a symbol of the unity of Spain played a vital, and lone, role in making the military stand down. In so doing he earned his spurs from his people. Now there is no doubt about the respect and affection felt towards him.

However, the monarchy has had to pay a high and potentially troublesome price for this. The King's steadfast behavioupr in February in refusing to go along with the ideas of a military-backed government alienated him from a substantial section of the armed forces. This makes him a prime target for future dissidence and raises deep concern that there will be efforts by the rebel officers to smear his name at their forthcoming trial.

A second price, less noticeable to Spaniards at the moment, centres on the constitutional role of monarchy. A combination of weak government and continued unrest among the military is forcing the King to act at the outer limits of the "parliamentary monarchy" as conceived by the constitution.

For instance, twice this year he has harshly told the politicians to get on with running the country—once privately, the other in public. He therefore runs the risk of becoming too political a figure.

The principal preoccupation now centres round the forthcoming trials of the 32 officers involved in the coup attempt. The preliminary proceedings, being conducted by a military prosecutor, have taken longer than expected and the latest indication is that the trials will not begin until mid-February.

The Government has no direct control over these trials, which involve no separation of powers—military judging military. But it is essential for civilian authority that just verdicts and sentences are given since the whole country witnessed the rebellion on their television screens.

Equally, the armed forces have let it be known that they do not wish the trials to be turned into a court martial of the institution of the military and its collective animus. Nothing would be more dangerous than a humiliated military. There is thus an exceptionally fine balance to be reached.

Until this uncertainty is removed the Government and the country's administrative apparatus is liable to stay in a state of suspended animation. The uncertainty is rendered the greater by continued doubts about the government party, UCD. The party has spent the better part of four months this year trying to resolve internal differences among its diversity of factions that range from Liberals and Social Democrats to Conservatives, Christian Democrats and former Francoists.

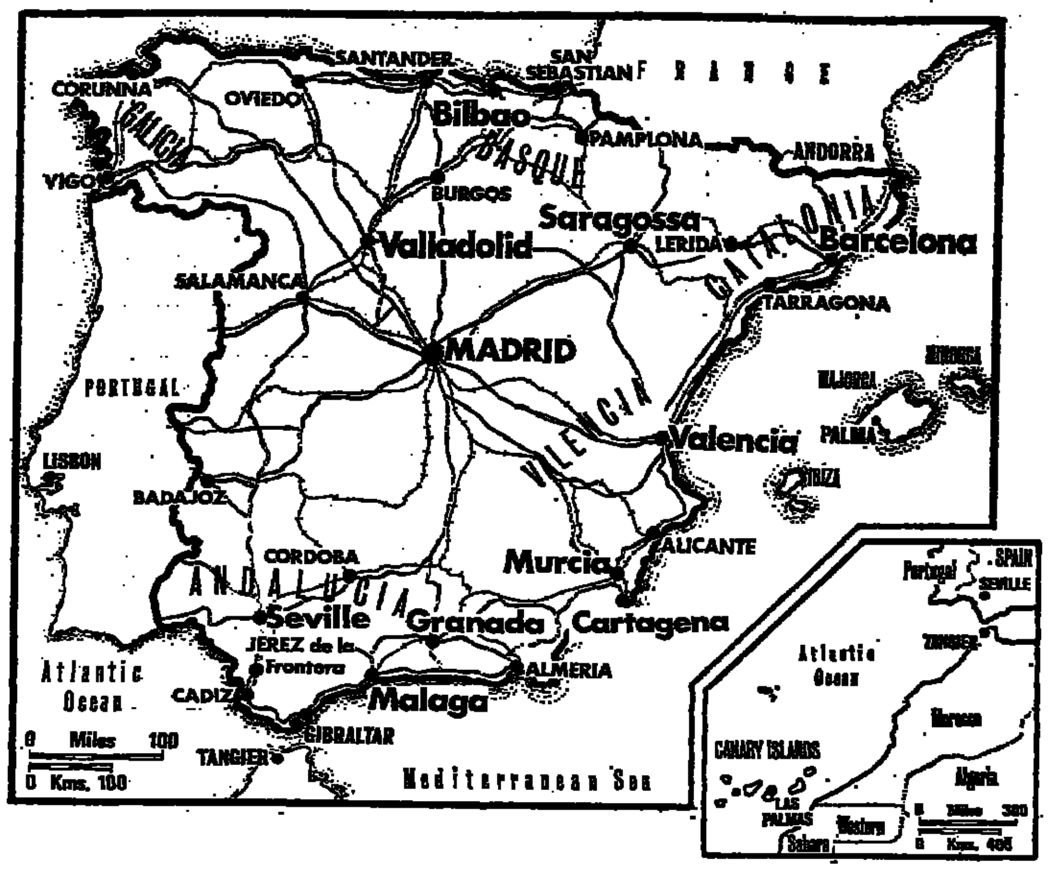
Convince

In January these differences helped force Sr Suarez out of the party leadership and from the office of premier. They led to another major shake-up in the party leadership this month, and a Cabinet reshuffle. Sr Calvo Sotelo, the new party leader, has to convince that he is master in his own house.

Far too many remain unconvinced of this, believing that the problems of holding the UCD together and continuing loss of public confidence will force elections next year—not as scheduled in 1983. Public dismay over the Government's handling of the scandal of the illegal sale of adulterated rapeseed oil, whose death toll is 220 so far and steadily rising, is just one case in point.

As for the business community, it is increasingly antagonistic to the Government on a broad front of policies. For the fifth year running private sector investment looks like being withheld, so jeopardising the modest hopes of pulling out of the deep recession. The Government's limited achievements—on the security front, in clarifying foreign policy and the Nato option—are quickly forgotten.

National morale is low and deflated by the unpalatable realisation that the transition from the Franco era to democracy is not complete. The changeover until this year was deceptively smooth because the fundamental issues were not fully tackled, and the most important of these was the supremacy of Parliament and civilian authority over the military. In short, Spain is a democracy on parole.



BASIC STATISTICS

Area	194,833 square miles
Population	37.18m
GDP (1979)	Pta 13,222bn ($72.6bn)
Per capita	Pta 355,621 ($5,298)
Trade (1979)	
Exports	£25,386m
Imports	$18,196m
Foreign exchange reserves (Sept. 1981)	$12.3bn
Currency	Peseta
	£ = Pta 185.45
	$ = Pta 95.52

CONTENTS

Editorial production: Michael Strutt

Politics

Parties slow to grasp democracy

SPAIN'S POLITICAL parties have serious identity problems: they have not kept pace with the transition to parliamentary democracy which was formally sealed with the referendum on the constitution in December 1978 and the general and municipal elections which took place three months later. Forty years of dictatorship leaves its mark.

The main problem is clearly the ruling party, the Centre-Right Union de Centro Democratico (UCD). For the past 15 months it has been locked in internecine warfare for the party's elusive ideological soul, leaving a dangerous vacuum of power which encouraged three different interventionist currents in the military to believe that the time to act had come.

Not surprisingly, therefore, the most recent government crisis of October and November set alarm bells ringing all over the country. Its apparent resolution with the Cabinet reshuffle of the beginning of this month has solved little: Sr Leopoldo Calvo Sotelo's second Cabinet does not reflect the real balance of forces within his party.

The UCD was hurriedly put together on the eve of Spain's first general election in June 1977—an ideological cocktail whose ingredients had little in common beyond their attraction to power. Power was held by Sr Adolfo Suarez, named Prime Minister by the King 10 months earlier, and it was therefore natural that the different factions should group around him, the fount of all patronage.

Careers

The central bloc in this coalition was then and remains now the Azules (Blues)—the group of young, former second-division Francoist functionaries such as Sr Suarez himself who are so-called because they made their careers wearing the blue shirt of the Movimiento, the Francoist institutional party.

This central bloc is needed to sustain all UCD governments. It favours a broad, centrist pragmatic role and has little use for the nicer points of ideology.

But precisely because it has no firm ideological allegiance, this bloc is up for grabs. It is led by Sr Rodolfo Martin Villa. The flavour of the group as a whole can perhaps be had from the one point that no biography or profile of Sr Martin Villa ever omits: he got into an official car at the age of 21 (as president of the SEU, the Francoist student organisation) and has never since got out.

Sr Martin Villa, a senior member of all UCD governments but one, former Interior Minister and now Deputy Premier, is the most powerful man in the party, a man of unquestioned ability if not vision. He was Sr Suarez's most powerful ally, but the bloc he represents had no compunction in ditching the former premier once it became clear that the source of his power had dried up.

Sr Suarez—who has not even now given an adequate explanation for his resignation shortly before the coup attempt—made the mistake of confusing prestige with power and patronage. Patronage in the current Spanish set-up flows from the premiership and the employers' association, the CEOE. Sr Suarez was beguiled into believing that his position would remain unaffected provided he could retain control of the party apparatus, a tactic which has plainly failed. He has lost control over both the premiership—Sr Calvo Sotelo was, it is worth remembering, the successor he chose—and the party secretary-generalship.

A second major party grouping was the so-called social democrats, identified principally with the former Justice and Treasury Minister, Sr Francisco Fernandez Ordonez, the man responsible for introducing Spain's divorce law and fiscal reform. But the rightward drift of the UCD in the wake of the February coup prompted Sr Fernandez Ordonez to leave the party, taking with him nine UCD deputies and six senators. Though pledging critical support for the Government in the interests of stability, this group—now constituted as Accion Democratica (AD)—exerts an obvious attraction on the few remaining social democrats, and some followers of Sr Suarez, inside the party. Appreciation of this no doubt led Sr Calvo Sotelo to include two social democrats, including Sr Luis Gamir, their leader inside the party, in his new cabinet.

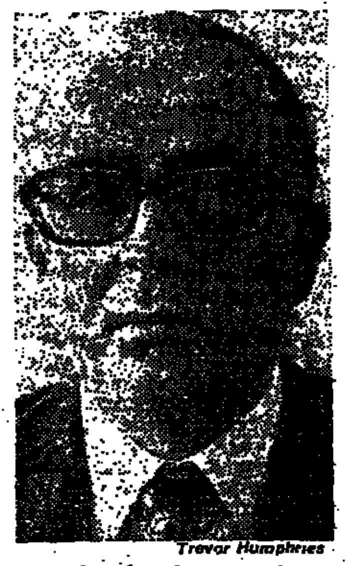
The departure of the social democrats — apart from leaving the UCD to scrabble for a parliamentary majority — has inclined the balance of party power markedly in favour of the third major grouping, the so-called "moderate platform," made up largely of conservative Christian Democrats and a smattering of right-wing liberals.

This bloc controls a majority of the parliamentary party. It is essentially in favour of jettisoning all UCD social democrats and allying in a grand coalition of the Right with Sr Manuel Fraga Iribarne's Coalicion Democratica (CD) grouping. Its "moderate platform" was outvoted at the party congress in Palma de Mallorca in January, but it is doubtful whether this feat could be repeated.

Its major successes since then have included the forcing out of Sr Fernandez Ordonez; the stalling of legislation to reform and secularise the universities (the Education Minister responsible, Sr Juan Antonio Ortega, was a casualty of the recent reshuffle); and the re-imposition of tighter censorship in the state radio and TV network, RTVE, whose director, the liberal Sr Fernando Castedo, was forced to resign by the Government in October.

The problem with the coalition path—strongly backed by a majority of the CEOE and, it is believed, sectors of the military—is that it is unlikely to win a parliamentary majority. The fact that parliament and democratic institutions do not figure strongly in the calculations of supporters of variants of the "grand coalition" of the Right is a separate question.

All elections in Spain since 1977 and the overwhelming majority of opinion polls show that any party seeking parliamentary power must win a sizeable proportion of the Centre vote—whether Centre-Right or Centre-Left—to add to its own natural support.



Trevor Humphries

Calvo Sotelo: remains vulnerable

A second problem is arithmetical. If the UCD Right and CD do not form an alliance, there is the prospect of two parties fighting on broadly similar policies and abandoning the centre ground to all-comers, not least the Socialists. Both groups would very likely find Spain's current system of proportional representation, the d'Hont system, working implacably to their disadvantage.

Sr Calvo Sotelo, who belongs to no fixed grouping in the party, and hence remains vulnerable, appeared to recognise this in his latest cabinet reshuffle. This respected the rough proportions of the original UCD centrist mix, and made Sr Inigo Cavero, the former Culture and Justice Minister, secretary general. Sr Cavero is a Christian Democrat. Though not absolutely identified with the "moderate platform," he is a man in whom the latter can place some confidence—hence his utility.

Discredited

Sr Fraga himself is one of Spain's most interesting politicians. Former Francoist Information Minister, ambassador to London and notorious Anglophile, he was utterly discredited as Interior Minister in the first government of the monarchy, particularly following the massacre of Vitoria in March 1976 and the attempted massacre at Montejurra in April 1976—which contributed in no small degree to the downfall of that government.

Since then he has opted strongly for parliamentary democracy, not least because it provides a forum in which he—almost alone among his peers—shines. He clearly relishes the in-fighting of politics and has fought his way back to a position of influence, particularly following his party's impressive victory in the Galician regional elections in October.

In the 1979 general elections, the UCD was scathing about what it called the "political transvestism" of the Socialists in bidding dishonestly for the Centrist vote. It is not without irony that it now finds itself in a similar identity predicament.

In the 1979 elections, one of the most effective interventions was a paid advertisement in the press by UCD, detailing in one column Socialist policies as agreed by its Congress alongside a second column which repeated what it had been saying during the election campaign. Since the second column was effectively the UCD programme, there was not really much more to say—Spaniards are not the fools their rulers and would-be rulers often take them for.

Before those elections, the ruling group around Secretary General Felipe Gonzalez had just completed the most thorough purge seen in a European socialist party since the 1920s, which ended with the reduction of party membership from a claimed 220,000 to 62,000 in 16 months. Then of course they were defeated at the elections.

At their subsequent congress, the Socialist Left was still strong enough for Sr Gonzalez to need to stage a dramatic resignation to regain control of the party. At its recent autumn congress, the Left, representing about a quarter of the party, was reduced by bureaucratic means to a purely symbolic presence and opted to stay away altogether and make its views known through the liberal press. Sr Gonzalez was thus given endorsement of quasi-East European proportions: almost 100 per cent.

It is a problem shared by both the Socialist and Communist parties that they appear incapable of applying internally what they propose for society as a whole, particularly democratic norms.

The Socialists are currently shown as being ahead in the polls, and though they might certainly win an election by default, it is difficult to see how a programme which at the moment has as its most radical proposal the nationalisation of the high tension electricity grid (but not the utilities that serve them) can stimulate enough voters into substantially reinforcing their position. In the last election, they were ahead in the polls until 48 hours before the vote.

The size of their defeat is frequently understated. On paper they went from 118 seats in 1977 to 121 in 1979, against the UCD's 168 (out of 350). However, in the interim they had absorbed two groups, raising their representation to 127 seats, and had the three groupings fought the 1977 campaign jointly, they would have got 136 seats under the d'Hont system. Their real net loss in 1979 was therefore 15 seats.

Since the attempted coup, the Socialists have shown an exceptional degree of responsibility, negotiating a consensus on virtually all legislation with the Government.

The Socialists have had little thanks for this co-operation. The Government intervened unilaterally to tighten up on television coverage (the Socialists thought this was part of the consensus) and ignored the Socialist call for a referendum on the controversial issue of Spanish entry to NATO.

The Socialists' great asset is the personable and persuasive figure of Felipe Gonzalez himself. But there is a danger that they carry moderation to such an extreme that it becomes in fact, a form of extremism, discrediting in the eyes of its natural constituency.

The current crisis in the Communist Party (PCE) with a parliamentary force of 23 and control of the country's biggest union, the Workers Commissions, rivals the mess inside UCD in its ramifications. Detonated by the Basque Communists' decision to fuse with a local Left-wing nationalist grouping bigger than themselves, the crisis has now spread to every region of significance in the country.

Opposition

There is a groundswell of opposition to veteran PCE leader Santiago Carrillo's decision to expel 45 out of the 64-strong Basque Communist central committee, and all those — including six members of the PCE central committee and five Madrid city hall councillors — who supported them publicly. Sr Carrillo also faces opposition from the more orthodox Communist Left, some of it — though not as much as is made out — Soviet-inspired.

The so-called "renovating" tendency which has borne the brunt of the expulsions are Eurocommunists who believe that the party needs to expand its base, particularly to draw back in the intellectuals who have deserted in droves during the past three years. But they have sympathy on the Left of the party, based primarily on the PCE's working-class constituency, who are fighting for more democracy and a more determined defence of workers' rights.

Sr Carrillo hence faces a challenge of major proportions. Some observers believe that he is deliberately slimming down the party, gathering around him disciplined and loyal supporters, against the eventual need to go underground again.

More generally, the Communist Party was the one force with a genuine national structure. On top of the crisis in the UCD and the Socialists' continuing search for a stable identity, the crisis in the PCE is a debilitating development for Spanish democracy.

Nobody in Spain underestimates the dangers of a situation in which the upper ranks of the military are left as the only truly national force.

David Gardner

Foreign Policy

Ruling party backs Nato

A MAJOR criticism of Spain's foreign policy since the death of Franco has been its ambiguity. Attitudes towards the outside world have verged on the schizophrenic. Spain is deeply committed to European integration yet at the same time has seemed to be wrenched by ties of culture and history away from Europe towards Latin and Central America, dabbling too with closer involvement with the Arab world.

Thus, much to the confusion of its European friends, the Spanish Government would one moment be extolling the virtues of European integration and the next swinging towards a position close to non-alignment and neutralism. One of the achievemets of the Calvo Sotelo administration has been to dispel unequivocally these ambiguities.

Future

Right from the start in office last February, the present government has made it clear that Spain's future lies in being an integral part of the Western alliance. This is manifested in two ways: accession to the European Community and membership of Nato. As a result, partnership in the EEC and Nato have become twin objectives.

This clarification in policy represents in part a temperamental difference between Sr Calvo Sotelo and the former premier, Sr Adolfo Suarez. The latter, ill at ease in foreign languages and not used to foreign travel, suffered from a sense of inferiority towards what seemed his European peers.

This led him naturally to look towards Latin America where he felt at home with the language, and was encouraged both by the existing historical ties and by the warmth of feeling towards a Spain emerging from 40 years of dictatorship. Sr Suarez was able to export an example of a peaceful transfer of power to civilian democratic rule to which many Latin American countries aspired.

Meanwhile, he was encouraged to believe that the ancient Hispano-Islamic link with the Middle East could be developed and Spain act as a genuine bridge to aid a just settlement of the Arab-Israeli problem. The combination of these various strands and psychological elements frequently produced ingenuous policy positions like Spain's presence as an observer at the Havana non-aligned summit. It also meant that foreign policy evolved piecemeal.

Sr Calvo Sotelo, on the other hand, has always regarded Spain's essential orientation as European, and as a former minister in charge of EEC affairs has felt a much closer affinity with Europe. Moreover, since the abortive February coup it has been considered more important than ever to bind Spain to Europe and its institutions to provide a form of moral and institutional guarantee against Spanish military adventurism.

But curiously, having provided this clarification of policy, Sr Sotelo chose to appoint as foreign Minister Sr Jose Pedro Perez Llorca, a close colleague but a man far more interested in domestic politics than foreign affairs. As a result, this kind of distracted attention at the top has been evident in the negotiations on the key issues of Nato membership, renewal of the bilateral defence treaty with the US and accession to the EEC.

For instance, talks with the U.S. on renegotiating the Spanish-American defence treaty of 1976 have not been handled entirely satisfactorily. The Americans asked the Spanish government whether it preferred to begin negotiations before or after a decision on joining Nato had been taken.

The Spaniards opted to get the treaty talks out of the way first, the treaty falling due in September. However, serious discussions did not get under way until April and it soon became clear that the Spanish Government was seeking renewal terms which the U.S. Congress could consider only in the context of Spanish membership of Nato. The Spaniards sought a substantial, but undisclosed, quantity of financial assistance and technology transfers in return for letting Washington retain its base facilities (the air bases of Torrejon and Saragossa, the naval facilities at Rota and various radio and communications installations).

Disagreement led to a temporary suspension of the negotiations and an eight-month ex-

CONTINUED ON NEXT PAGE

The Military

Why the Army still matters

NO CLOSE STUDENT of Spanish history can honestly claim that there will not be another military coup attempt. The man on horseback has been the ultimate arbiter of Spain's 150-year long struggle out of an ancien regime and into modernity. And the politicians held hostage by the rebels in the Cortes on the night of February 23 vividly understood that the 1981 abortive putsch was a warning shot across the bows.

A discreet system of virtual civilian-military power has to be operated in Spain for the foreseeable future behind the façade of a formal parliamentary democracy. The inbuilt danger of such a policy lies in the thin dividing line between appeasement and surrender by the civilian power.

The root cause behind the February 23 coup attempt was that the political protagonists of the transition to democracy forgot Spain's basic historical lesson: the army matters—because of the role that the Spanish constitution invests in the military as guarantors and defenders of national sovereignty and of the constitutional order.

Pitched into the excitement of building a representative government edifice to replace Francoism, the politicians of the transition were unable to recognise that the very foundations of governability in Spain rested on Franco's army.

Throughout the transition, up to February 23, the army hierarchy was at best ignored and at worst duped. The festering grievance harboured by the generals against former Premier Adolfo Suarez was that he had fooled them over his intentions to legalise the Communist Party. (They believed that the Communist Party would remain illegal).

The upshot of the attempted coup was to bring the military back into politics—a shot across the bows that redressed the balance and reaffirmed the armed forces in a role which was not only traditionally theirs but was also underwritten by the constitution in Article Eight.

Priorities

When the military was consulted and offered its advice it put at the top of its priorities the question of terrorism. In the post-February 23 climate the Government recognised such misgivings and gave the forces an active role for the first time in the strategy against the militant Basque separatist organisation ETA. Army units were deployed along the Pyrenees with the mission to seal the smuggling routes across from France that ETA habitually uses and a naval task force was dispatched to the Bay of Biscay.

The policy shift to bring the services into the anti-guerrilla combat was largely window-dressing. The main weapon against ETA continued to be the police intelligence service backed by the paramilitary civil guard. There were no engagements with guerrillas along the Pyrenees and the service presence in the Basque Country was largely forgotten until September when an ETA limpet mine tore a foot-long gash in the hull of a destroyer that was moored in the port of Santander.

The decision to give the military a role served, however, both to smooth ruffled feathers and to make the military co-responsible for the success, or failure, of the anti-terrorist policies.

The second priority for the military was the vexed question of regional autonomies viewed as the dismemberment of national unity. The new regional framework laid down by the draft autonomies Bill known as the LOAPA discussed elsewhere in this survey was not exactly a deal worked out between the joint chiefs of staff and the politicians. Nevertheless the deep mistrust among the military hierarchy over autonomies was undoubtedly a factor which conditioned the consensus over the draft autonomies Bill between the Government and the Socialist opposition. Such an agreement may not have been possible but for February 23.

Somewhat ingenuously, when coup rumours were rife again towards the end of this year both government and opposition spokesmen held up the LOAPA as well as the relative success against terrorism as instances that argued against military discontent and coup inclinations. It was as much as saying that the politicians had done what the military had wanted and therefore why were the military upset.

A third area that pinpointed the military in the ascendent concerned the publicity and news coverage devoted to them. Far from putting the armed forces in the doghouse after the coup nightmare, there was instead a conscious effort by the politicians, the media and the public to pander to their susceptibilities.

King Juan Carlos and Gen. Jaime Milans del Bosch (left), now awaiting trial for his part in February's attempted coup, share a sandwich together on manoeuvres.

The Prime Minister, Sr Leopoldo Calvo-Sotelo, pointedly resurrected periodic meetings with the Supreme Military Council, a body that brings the chiefs of the general staffs and the regional military commanders together with the Prime Minister and his advisors. The state television gave laudatory coverage to routine army exercises and the national radio network invited civil guard commanders to take part in a phone-in programme.

The public joined enthusiastically into the Army Week celebrations held in May in Barcelona, when a succession of open days, parades and march pasts constituted a massive publicity campaign almost to the point of overkill.

Yet all the delicate process of redressing the military-civilian balance, and all the accompanying appeasement that this involved, could not blot out the traumatic stigma that a coup attempt had taken place and that 32 officers, among them three generals, were awaiting court martial on charges of military rebellion that carry sentences of up to 30 years.

The trial of the plotters could take place as early as mid-January or as late as next autumn. Until it is over and done with politics and society in Spain cannot get back to business as usual.

More than the attempt itself it is the prospect of the court martial which makes politicians nervous and the military restless. This is particularly so because as far as public opinion is concerned the trial has been going on ever since the coup took place with the Press unearthing new evidence, singling out accusations and handing down judgments.

When in March the Defence the Government's account of what had happened on February 23 to a closed-door secret parliament session, tape recordings of the report were leaked to the Press which published the session in full the next day.

This was merely a taste of what was to come. By August newspapers were deluged with leaks from the preliminary pre-court martial hearings. As the sub-judice testimonies were given headline treatment, so the conflicting statements by the defendants, and even their blatant contradictions, became a matter of national debate.

What especially irked the military was that it rapidly became obvious that at the top echelon of the coup conspiracy, that is Gen Alfonso Armada, Gen Jaime Milans del Bosch and Col Antonio Tejero Molina, the protagonists accused each other, protested their individual innocence and fell out among themselves.

The Spanish military does not like having its divisions and failings exposed to public view. The problem as the year and the leaks wore on was that these became increasingly newsworthy. Beyond that it became clear that the army itself was sharply divided over its attitudes to the coup and the trial.

In October Capt. Juan Milans del Bosch son of the indicted general was sentenced by a court martial to a minimum one-month's detention after being found guilty of insulting King Juan Carlos who is also Captain-General of the armed forces. The captain readily admitted that he had termed the monarch a "useless pig" to all who cared to listen to him at the bar of a smart Madrid country club.

Outcry

The lenient sentence provoked a public outcry and a government-inspired order for a retrial. During the court martial it often appeared that instead of Capt. Milans del Bosch it was a fellow officer who had reported the insults who was on trial. More evidence of military feeling came shortly afterwards when the centre of controversy was the captain's father Gen. Milans del Bosch who was supreme military commander of the Valencia region at the time of the coup.

Gen Milans del Bosch, currently in detention awaiting the court martial, was awarded, to the astonishment of the majority and to the delight of his supporters, a regulation medal roughly similar to the Purple Heart which in Spain is called the medal for "Sufferings for the Fatherland." The award apparently was due to him because of minor injuries sustained while overseeing military manoeuvres a year ago as commander of the Valencia region.

The timing of its publication in the Army Gazette without the knowledge of the senior generals at the Defence Ministry was seen as a deliberate provocation designed to cause the government maximum embarrassment. Minister, Sr Alberto Oliart, gave barrassment.

The Defence Ministry revoked the order, withdrew the award and sacked members of the personnel department who were directly responsible for the insertion in the gazette. The incident demonstrated at least two vital points about the Spanish army. Hardline supporters of the coup can exist in the very nerve centre of the military, in the Defence Ministry itself. Second, it cannot be ignored that for a sector of the army officer class. Gen Milans acted on February 23, bringing his tanks out into the streets of Valencia, to "save the Fatherland," according to the time-honoured Spanish army formula, and his subsequent detention constituted suffering for the same ideal.

Collections

A composite picture of the hardliners gradually emerged during the year as news was filtered by a handful of liberal officers stationed in Madrid garrisons and elsewhere. Such sources reported regular mess-room collections being made in certain units for the families of the brother officers indicted in the coup attempt.

More than providing a living for the families, the whip-rounds served to identify where sympathies lay. The process of standing up and being counted led to the embryo re-creation of a secret military society known as the Union Militar Espanola (UME) which, in the 1930s, formed the army conspiracy network that buttressed Gen Franco's insurrection against the Republican government.

One of the more disturbing reports from liberal army sources was that the Government, in the wake of February 23, had taken appeasement to excessive limits. They claimed that the civilians had bought the peace of potential plotters by failing to monitor closely sensitive appointments. Their point was that the plum jobs, commanding key units and in communications, were going to hardliners.

Such reports are a reminder that the hardline element in the Spanish army will convert the right of consultation and of giving advice into strict tutelage over the civilian power. In the search by the politicians to redress the balance there remained the danger that in the last analysis compromise within the constitutional bounds could prove impossible. This became a real issue from mid-October onwards amid steady rumours of renewed plotting.

Rumours in Madrid, in a celebrated phrase of Manuel Azaña, the last president of the republic, strike stronger roots than the acacia trees that line the capital's boulevards. Such was the extent of rumourology that the Cabinet Office was forced to issue a statement saying all the rumours were false and the army was totally loyal. Understandably, instead of killing them dead, the denial gave the rumours new life and vigour. What kept them going was the presence in Madrid of the Captain-General of the Canary Islands, Jesus Gonzalez del Yerro, the officer who by all accounts holds the greatest prestige within the armed forces.

Gen Gonzalez del Yerro is on paper a "safe" general in as far as he was among the first regional commanders to telephone his unhesitating support to King Juan Carlos when the Cortes was seized. However, he is also said by those who know him to be a strict, hardline general in the Francoist mould, not a hothead like Gen Milans del Bosch, but ambitious nonetheless with a clear idea of what Spain should be and how it should be governed. He is an obvious candidate for the post of military strongman.

Tom Burns

Ruling party backs Nato

CONTINUED FROM PREVIOUS PAGE

tension of the treaty, pending a decision on Nato. All the necessary parliamentary procedures were completed by the end of November in Spain, enabling Spain to be invited by Nato to join the alliance.

This was done against considerable public protest and opposition from the Communist and Socialist parties, who argued that Spain had not participated in either of the two world wars and now was not the moment to join a military power bloc. The Government's counter-argument, that the U.S. defence treaty made Spain a de facto member of the Western alliance, appeared to go unheard, and the Socialists have threatened to take Spain out of Nato if in office yet have not disclaimed the U.S. defence treaty.

Incidentally, Spain has reserved the right to veto nuclear weapons on Spanish soil. If all goes well Spain should formally join Nato next year.

The Spaniards believe that this in turn will help solve the intractable problem of Gibraltar. Progress on implementing the April 1979 Lisbon agreement, between Lord Carrington, British Foreign Secretary, and the then Spanish Foreign Minister, Sr Marcelino Oreja, has faltered. The Spanish have sought to obtain prior concessions before reopening the frontier between Spain and the Rock, unilaterally closed since 1969, and the British have insisted that everything is negotiable, with the consent of the Gibraltarians, once the unilateral restrictions are removed.

Hope is now placed on a meeting in early January between Sr Calvo Sotelo and Mrs Thatcher, the British Premier. The sort of formula considered is that with Spain a Nato member, a form of joint sovereignty could be established over the Rock as an interim measure to deciding its long-term future.

Spain meanwhile has demonstrated its affinity with the Nato alliance during the course of the conference on security and co-operation (CSCE) which began in Madrid in November 1980, and has dragged on inconclusively since then. This is the first major multilateral gathering that Spain has hosted, and in so doing has earned general respect. Interestingly, when the Soviets agreed to the Madrid venue, Spain was considered virtually neutral; now they regard Spain as a member of Nato!

The other twin priority of the EEC has been conditioned largely by the Community's own internal problems and the adjustment required by the election of President Mitterrand in France.

The Community is clearly concerned by Spain's capacity to adapt to EEC rules. But equally the Spanish are exasperated by the Community's unwillingness to understand that Spain's application to join the EEC was a political act—and originally regarded as such by Brussels. This has led to considerable frustrations, especially with France—regarded as the bogey country by Madrid—blocking any progress on the sensitive agricultural front.

Instead of accession being accomplished by 1983 as first intended by Madrid, it is unlikely now before 1985 and in conjunction with Portugal. Whether between now and then an anti-EEC lobby builds up in Spain remains to be seen. But as the realities of membership become better known, the protectionist lobby grows, albeit well disguised.

On a bilateral basis relations with France have improved marginally but remain strained both as a result of the problems and the delicate question of exile and protection inside France afforded to members of the militant Basque separatist organisation, ETA.

Since the departure of Sr Suarez, less has been made of contacts with the Middle East. But Spain still has steadfastly refused to make any commitment to recognising Israel, though logically if Spain is to be taken soon into some of the political decision-making of the EEC, such a step must be made.

Meanwhile, in Latin Ameria, the kind of friendly bridging role between the industrialised West and the developing countries, so much sought by Sr Suarez, has been effectively killed by the Reagan Administration. For instance, Spain has not even moved, like France and Mexico, in calling for recognition of the anti-junta forces in El Salvador.

Robert Graham

Economy

Recession continues despite the optimistic forecasts

AT ABOUT this time of year, coinciding with parliamentary approval of the budget, the Government makes its projections for the coming year. But for the past five years they *have been consistently* over-optimistic, whether on growth rates, ability to control inflation or the balance of payments; the year-end result has usually been much closer to the most *pessimistic forecasts of the* private sector.

Of course, not all this faulty forecasting can be laid at the Government's feet — fluctuations in the oil price, the depth *of the domestic recession, high* interests and the state of Spain's main trading partners (which is having an increasing effect) have proved wild cards. However, these errors of optimism need to be borne in mind now that officials are talking of positive signs that Spain may at last be pulling slowly out of recession.

Impact

Evidence for this is still tentative. In the last half of the year stocks have been drawn down and industrial order books have begun to fill up modestly. This is attributed to *the cumulative impact of major* investments in the energy field, a 10-year modernisation programme of the railways, continued heavy expenditure by the national telephone company, a new public housing programme and activity related to the holding of the World Cup football competition in Spain next year.

Exports, despite a shaky start to the year, managed to pick up thanks in good measure to the depreciation of the peseta. Since last December the peseta has depreciated against the dollar, the main traded currency, by 21 per cent. Latest Bank of Spain projections indicate that exports *will grow* 4 per cent in real terms to $20.5bn. Nevertheless, Spain's share of world trade is edging slightly downwards.

The decline in the peseta also appears to have played an important part in returning Spain to a more competitive position in tourism. As a result tourism has had a good year, also generating activity in the services sector, even though overall projected receipts will be slightly down on 1980—$6.6bn against $6.9bn. The current account is likely to be held to a *$5.3bn-$5bn with reserves* around $12bn.

However, if these are the positive signs there is plenty of evidence to underline the depth of the continued recession. *The demand for private* credit has been slack throughout the year and the Bank of Spain has revised downwards its targets for the 1981 growth in money supply by more than one point to 15 per cent. Energy consumption has grown so far by only 1.7 ptr cent.

Moreover, demand in a number of consumer items such as cars and domestic appliances has fallen to the same level as a decade ago. The stagnation of general demand is underlined by a 4 per cent real drop in imports to a projected $31.3bn. Part of this drop is explained by a fall in the volume of oil imports as a result of a switch to coal.

In short, the recovery noted is contained in specific sectors, generally related to large public sector investments. The growth in GDP is unlikely to be more than 1 per cent and more probably 0.6 per cent. But here there is a distortion compared with the past four years. Good, and even exceptional, agricultural production during the latter period underpinned GDP growth. This year agricultural production is likely to be negative, to the tune of 3 percentage points, as a result of major drought that *has caused drastic cuts in* output.

Since there is no sign of the drought ending, this is almost certain to weigh heavily on per*formance in the coming year.* The country's dams, in most instances at 30 per cent of capacity or below, will need time to replenish even if it rains. The drought will cost Spain more than *$3bn in* making up agricultural production and hydro energy shortfalls.

Damage

Further, Spanish agriculture and agri-business face imponderable indirect damage as a result of the scandal of illegal sales of adulterated rapeseed oil. The scandal, which emerged in May, has led to the deaths of 220 people and the fears that have followed of using edible oils for cooking, or eating them in prepared products, have led to a sharp drop in consumption and serious *problems* in the food canning and edible oil business.

Nevertheless, the Government is aiming for 3 per cent growth in the coming year. This *is based on a continued heavy* injection of public expenditure, and a pick up in private consumption and investment, coupled with better growth among the main trading partners.

The budget for 1982, totalling Pts 3,578bn ($37bn) envisages a 26 per cent increase in current expenditure and a 24 per cent increase in capital spending. The main increased costs have come in the form of raising pensions, extending these to cover all people affected by the civil war, and broadening the scope and nature of unemployment *benefits.*

This latter aspect has been strongly attacked by the employers federation, CEOE. However, with unemployment now exceeding 13 per cent of *the active* population and approaching 15m persons, the Government clearly feels unable to ignore the social consequences of so many jobless—all *the more so in what could be* an electoral year and the military breathing down their necks at the prospect of social disorder.

Such a commitment to in*crease aid to unemployment* and social benefits, and to create 350,000 new jobs, was a key element in the social contract signed in June between the Government, the CEOE and the *two main trades unions, the* Communist-controlled Confederation of Workers Commissions (CCOO) and the Socialist General Workers Union (UGT).

This commitment was the *Government's counterpart to* the trades unions agreeing to accept a drop in real wages. The unions undertook not to exceed a 9-11 per cent band for wage increases in the private sector, while the public sector wage rise will be held down to 9 per cent. In practice, according to the CEOE, this will mean a higher rise through the device of job classification. This wage limit was accepted on the basis of inflation projected at *12* per cent.

Social contract

Much of the 1982 budget has been built round the principles of *the social contract.* However, the social contract risks being stillborn before its implementation. The unions know all too well that the Government's commitment to creating new jobs to maintain steady the rate of unemployment is extremely difficult to fulfil. They are also sceptical about the rate of inflation being brought down. For the past three years inflation has stubbornly resisted *falling below 14 per cent.*

The employers for their part have held reservations about the social contract throughout and are deeply preoccupied by the growing public sector *deficit. The CEOE argues that* this deficit has been allowed to grow far too rapidly, without any adequate control over current expenditure. Meanwhile, credit to the private sector is diverted to finance it.

The public sector deficit has become a major controversy. In four years it has almost quadrupled; from being Pts 226bn in 1978 it is expected to be over Pts. 800bn *by* the end of the current year. Put another way, from representing about 1 per cent of GDP, the deficit now accounts for over 4 per cent of GDP.

Spain, compared to other OECD countries, still has a very *small public sector,* and the deficit as a proportion of GDP is not high. But the worry relates to two aspects — the way in which the deficit has arisen, and its financing. The *deficit basically* relates to current expenditure, which is frequently difficult to quantify (and control), although it must be remembered that the democratic state has assumed, *unlike the previous regime,* many social obligations, plus a costly process of regional autonomy and heavy underwriting of industrial lame ducks.

On financing the deficit, the Government has resorted largely to the Bank of Spain, which is being obliged to finance between 65 and 70 per cent of it. In order to keep careful control of the money supply, this has meant increasing resort to short-term treasury Bills to mop up liquidity.

At the moment this debt can be bought only by the banks, not the public. The Bank of Spain is extremely conscious of the problem, especially the diversion of funds away from the private sector when a recovery takes hold.

At least part of the answer to the problem would be to raise the level of fiscal pressure. After all, Spain, along with Japan, is the OECD country with the lowest fiscal pressure. Moreover, there are a good many quite obvious loopholes—a major one being the way in which certificates of deposit are tax-free—that can be closed.

Yet the business community is still complaining bitterly about the tax reforms introduced in 1977 and 1978, the first serious attempt to bring modern taxation to Spain. The Government is susceptible to business pressure and little is likely to be done during the present legislature. This year the business community has shown that it is both better organised and more vociferous, frequently taking the Government to task.

Excuses

The business community has found a mix of real and imaginary excuses to withhold its confidence in successive governments since the death of Franco. The real excuses have been genuine enough. They have had to accustom, quite brutally, to a new set of labour relations, higher costs, and less protection. *Cabinets and Ministers* have changed with bewildering rapidity and the international economic climate latterly has been unfavourable.

But the business community is in danger of retreating into a funk over investment, decapitalising all the time. Certainly, Spain is going through a bout of instability but there is unprecedented peace on the shop floor, wage levels have been *brought down, and account has* to be taken of forthcoming entry into the EEC. And one factor is certain: no sustained recovery can occur without an upsurge of business confidence. It bodes ill if another year is to pass without such confidence re-emerging.

Robert Graham

CONSUMER PRICE INDEX: SPAIN AND OECD

	Annual rate 1979	Annual rate 1980	12 mths. to July 1981	6 mths. to July 1981	Monthly growth rates April	May	June	July
Spain	15.7	15.5	14.4	12.8	1.0	0.5	0.1	1.9
Total OECD	9.8	12.9	10.6	10.7	1.0	0.8	0.8	0.8
OECD-Europe	10.6	14.3	12.3	12.4	1.4	0.8	0.9	0.8
EEC	9.1	12.4	11.2	12.4	1.6	0.8	0.7	0.9

Source: National Statistics Board.

Benidorm on the Costa Brava. The peseta's decline appears to have played an important part in returning Spain to a more competitive position in tourism

Terry Kirk

Energy

Tackling the oil problem at last

AMID the generalised gloom about Spain's economic performance at least one bright spot stands out. The National Energy Plan, approved in 1979 after lengthy delays, has finally begun to tackle one of the country's most serious economic problems—its heavy dependence on imported crude oil. In less than three years there has been an important turnround.

This dependence at one stage saw Spain relying on imported oil for 70 per cent of its energy needs. By the end of the year this dependence will have been cut to some 60 per cent. Although the proportion is still high this cut of 10 percentage points represents a significant achievement.

Spain was the last of the industrialised countries to recognise the vulnerability of its economy to higher energy costs. Having virtually ignored the problems inherent in the 1973 oil price rises, the country took until 1977 before launching tentative efforts to come to terms with a growing energy crisis. The oil import bill had risen dramatically; subsidies persisted, especially with fuel oil; conservation and alternative energy sources were not *seriously considered* and too much faith placed in the nuclear option, the solutions embodied in the energy plan were admittedly not all that original but Spain had little real room *for manoeuvre, with coal* and hydropower its primary energy sources.

The fundamental aim of the plan was to reduce dependence on oil by greater use of nuclear power, an increased number of coal-fired power stations, more use of gas and development of alternative sources such as solar energy. Initially the primary emphasis was put on developing a network of nuclear power stations to absorb increased energy demands.

High cost

From the time of the plan's conception, however, through to eventual approval — a period of over two years — the emphasis shifted considerably. The high capital cost of nuclear investment, coupled with greater political sensitivity to the con*trol and safety of nuclear* energy, led to a downgrading of the nuclear option. While still relying on, and fully embracing, nuclear energy, the Government accepted the need to resort *more to new coal-fired power* stations. These were quicker to build and cheaper to operate.

Thus the plan envisaged coal supplying 16 per cent of demand by 1985. No sooner had the plan been approved than it was decided to raise this target to 22 per cent; the figure could, in fact, be higher still.

Last year the decision was also made to accelerate the construction of coal-fired power stations, the biggest of which—of 550 MW capacity—are being built in southern Spain near Algeciras and Carboneras respectively. It has now been decided to utilise the Carboneras site for another unit of 550 MW.

Parallel with greater use of coal in conventional power stations, the administration has offered substantial cash aid to various industries which are traditionally heavy users of fuel oil — cement, glass and ceramics especially—to convert to coal.

To meet the increase between now and 1984 coal demand will rise from 30m tonnes to 46m. The Government has sought to improve and rationalise Spain's own coal industry and also to set up long-term overseas supply contracts. Between 1981 and 1984 Pta 80bn is planned to be invested in the development of the largely state-controlled local coal industry, which suffers from low productivity and coal of low calorific content.

To cope with increased coal imports, a new coal trading company, Carboex, has been set up which is seeking supply contracts through straight purchase deals or joint venture produc*tions in such countries* as Colombia, South Africa, Australia, Canada and the U.S.

The biggest single financial commitment in the energy plan relates to the nuclear side. At *current prices* Pta 784bn will be invested in nuclear power generation plus a further Pta 17bn in the nuclear fuel cycle. *This, however,* represents a reduction from the original estimates. Since the start of the plan permission has been given for construction of only five new units—Trillo I and II, Valdecaballeros I and II, and Vandellos II—with a total capacity of 5,000 Mw.

Authorisation has been slow and clearly reflects concern to ensure that plants are not located in areas where there might be strong local objections. There has also been a tendency to favour authorisation of plants where one of the two state-controlled utilities, Enher or Endesa, is a partner. Ministry of Industry officials do not anticipate any new authorisations in the coming year but three plants are being considered—at Sayago and Regodola in north-west Spain and Cofrentes in the south-east.

With the latest authorisations and those plants approved before the plan, just over 10,000 MW of nuclear generating capacity is under construction. Technical problems have held up by over three months the operation of the first unit at Almaraz in Extremadura. But engineers are confident that it will be operational early in the new year.

More important, the Government has yet to resolve the thorny problem of the twin plants at Lemoniz near Bilbao in the Basque country. With the operation now over two-thirds complete, the privately owned utility Iberduero has invested over $1bn in the project.

Since February vital technical work has been paralysed following the abduction and murder of the chief engineer by the militant Basque separatist organisation, Eta. The latter has vowed to prevent Lemoniz from functioning and has conducted a violent campaign against Iberduero installations throughout the Basque country (almost 300 incidents have been recorded, causing the danger of power shortages there).

Given hindsight, it was a serious error to locate the plant *so close to a major population* centre. But the Government feels it cannot allow itself to become a hostage to the anti-nuclear lobby. Nor does it wish to be faced with the problem of *Spain's biggest utility,* Iberduero, financing a nuclear plant that never works. Equally the country in general and the Basque region in particular needs the extra electricity planned from Lemoniz.

ENERGY INVESTMENTS

(Pts bn)

	1981	1982	1983	1984	Total 1981-84
Coal	17.715	33.244	35.924	33.448	120.331
Oil	84.512	118.116	114.293	99.441	416.362
(Refinery modernisation)	(25.121)	(55.573)	(46.532)	(32.968)	(160.194)
Gas	28.570	29.271	42.153	40.991	140.985
Electricity—power generation					
Hydro	19.500	25.405	34.575	35.317	114.797
Coal	91.800	100.450	125.396	93.812	411.458
Fuel-diesel	4.800	3.423	3.165	2.559	13.947
Nuclear	214.600	198.649	203.636	167.955	784.840
Electricity—distribution	70.106	75.765	81.568	85.184	312.618
Nuclear cycle	4.009	5.377	4.159	3.751	17.296
Other	21.485	24.120	26.931	28.729	101.265
Total	557.091	613.821	671.800	591.187	2,433.899

Source: *Ministry of Industry.*

All sorts of formulas have been floated, including a referendum. But it now seems that the Basque government, in order to guarantee the plant's functioning, wants to create an operating company which it can control either directly or indirectly. Officials are relatively confident that a solution can be found along these lines. If not, the consequences will be serious.

Realistic

The other side of the coin in lessening dependence upon imported crude has been the introduction of conservation measures and more realistic pricing. The Government has gradually removed the extensive system of subsidies, especially in the industrial sector. Since July 1979 fuel oil prices have risen over 160 per cent and are now close to the European norm. Some subsidies have been retained in specific instances, for example, in the agricultural sector, for diesel oil supplied to fishing vessels and for domestic gas containers.

At the same time electricity tariffs have been allowed to rise by 79 per cent in the past three years—not as much as the utilities would have liked but a considerable aid to their cash flows, so necessary to meet the new investment required by the plan. Higher prices have definitely had a dampening effect on consumption, quite apart from the overall recession. This year, for instance, in the first ten months electricity production has grown by only 1.39 per cent and consumption by only 0.69 per cent.

There remains an element of uncertainty about dependence on oil imports because of fluctuations in the weather. Hydroelectricity accounts for 15 per cent of power generation in a year of normal rainfall. But there can be sharp changes from year to year and 1981 has been a disastrously poor rainfall year—so much so that many of the dams are at less than 30 per cent of their capacity.

Even on the assumption that normal December rainfall *occurs the equivalent of* 3m tonnes of fuel oil will be needed to make up the shortfall and almost as much again if account is taken of the need to restore reservoir levels.

So far, despite increased efforts, no significant new oil or gas finds have been made onshore or offshore. Total production of oil and gas equals 1.4m tonnes. The main field, Amposta off Tarragona on the Mediterranean, is running down. Hopes now centre on gas finds off Cadiz and Bermeo in the Basque country. Meanwhile Hispanoil, the state oil concern, has hopes of a discovery in the waters of Spain's former colony Equatorial Guinea.

As part of the rationalisation of the energy sector, the state holding company, INI, carried out this year a major restructuring. It hived off five companies to form a new energy holding, INH, which also took over the state's interests in the petroleum distribution monopoly, Campsa and the refiners, Petroliber. INH now controls all state activities in the field of hydro-carbons exploration, production, transport, refining and petrochemicals production.

INI kept only its coal mining interests, uranium exploration and processing and the two utilities. The move had been under consideration for some time and had been blocked by bureaucratic in-fighting and fears by INI that it would be weakened by losing some of its most profitable concerns, especially Enpetrol.

The move provides scope for considerable cost savings, however, and enables better dovetailing of petrochemical production and marketing. Nevertheless it has left unresolved an important question on the future control of the refining business in Spain. Powerful private interests, headed by Cepsa and Ert, are anxious to prevent the state exercising a dominant control over the Spanish refineries, currently being modernised with expensive cracking units.

Robert Graham

EXPORTS OF SPANISH FOOD PRODUCTS

A TRADITIONAL INDUSTRY

The first canned goods—sardines, in fact—were produced in 1823 by a confectioner, Joseph Colin, and the Vigo estuary in 1861 became the site for Spain's first fish canning factory, this being followed by many more such factories, now a subject of pride for the people of Spain.

It was a chance event that gave birth to this industry. A French boat was shipwrecked, and a number of different types of preserved goods were washed ashore on the beaches of the Vigo estuary, in bottles and tins. These goods aroused local curiosity, and resulted in immediate action, not only giving birth to the Spanish fish canning industry, but also initiating the industrialisation of Spain's fishing activities.

Nowadays, the annual production of the Spanish fish and shellfish canning industry amounts to 210,000 tonnes, representing a value of over 40,000 million Ptas., and with exports throughout the world totalling more than 9,700 million Ptas., Spain is one of the world's leaders.

And naturally so, not only because of the selection of fish and other items involved in the preparation of the preserved product, but also because of its very nature. The term "preserved," when related to fish, refers to a product having been put into a container, hermetically sealed, and subjected to a sterilising heat treatment process under steam pressure, to ensure that it remains stable and retains its goodness. This heat treatment during the processing phase is designed to destroy or inhibit the growth of micro-organisms, their toxins and enzymes, where the presence or proliferation of such micro-organisms could adversely affect the product or render it unfit or dangerous for human consumption.

As a result of the extensive scientific research undertaken, the industry has undergone such extensive technological development that under present fishery product processing conditions, the nutritional value retained is as high as, and in some cases higher than, that achieved from the customary method of preparing these same products. And as we all know, fish, with its protein, fat, vitamin and mineral salt content, is one of our most important nutritional resources.

Indeed, the quantity of protein obtained from preserved fish generally exceeds 20%. The proteins are of excellent quality, since they still contain the essential amino-acids, which are not affected by the canning and processing operations. The use of modern technology in processing has led to an even greater retention of vitamins, more specifically of vitamin B2 and nicotinic acid in canned fish products in general, and vitamins A and D in processed oily fish such as sardines, tuna etc., in particular.

The mineral elements and their salts are of particular importance. Canned sardines, mackerel and tuna have remarkably high phosphorus and calcium contents: studies carried out by Kramer have shown that the quantities involved can be between 300 and 400 milligrammes per 100 grammes in the case of phosphorus, and between 200 and 300 milligrams per 100 grammes in the case of calcium, placing these products among the foremost providers of these important elements, essential both for development, and for proper functioning of the body's systems when fully formed.

The Spanish coast, with a limited shelf, nevertheless has a series of estuaries, not only of incomparable beauty, but also providing certain highly select and unique species of fish, much beloved by the industry and sold with justifiable pride, as witness to the labour of those who live from and for the sea.

Preserved sardines, tuna, mackerel, mussels and other shellfish, and semi-preserved anchovies, are offered on sale to the world as specimens of supreme quality.

THOUGHTS ON OLIVE OIL

Historical Background

The olive ("olea Europeae") is a slow-growing, evergreen tree of considerable longevity, found in warm temperate climates: it requires little water, and is extremely hardy. It is consequently grown primarily in the countries of the Mediterranean basin and, to a lesser extent, in certain areas of the Americas, e.g. in California (United States) and Argentina.

The exact origin of the olive tree is a matter of some dispute. There are a number of different theories: all agree, however, that it originated somewhere in the Middle East, whether it be the valley of the Nile, the River Jordan, or Ancient Persia. It then spread to the Western Mediterranean, as the successive cultures—the Phoenicians, Greeks, Carthaginians, Romans, Jews, Arabs and Spaniards—came to know of and appreciate the tree, all regarding it as being of great value.

The earliest references to the olive tree are found in the Bible, the dove having brought an olive branch to Noah as a sign that the floods were over. The Old Testament has numerous references to olive oil: the book of Exodus called for consecrated oil to be poured upon the heads of priests, and the children of Israel were ordered to bring "pure olive oil, beaten for the light, to cause the lamp to burn always."

There is also evidence that the Egyptians used olive oil in their lamps over 5,000 years ago.

As for the Arab world, the Koran makes a number of references to the olive tree, termed the "blessed tree," and one of the Prophet's recommendations is to "provide thyselves with oil, and anoint thyselves with it."

We know, therefore, that it was used by ancient civilisations as a condiment, an anointing oil, and a light source.

Nowadays, it is consumed in virtually every country of the world—including those which have no olive trees of their own.

Olive Oil; Characteristics and qualities

Olive oil is generally extracted with the aid of presses: the only exception is that obtained using solvents or re-esterification. Although current techniques are naturally more advanced, they are nevertheless based on the old stone mill system dating from Roman times.

The only processing operations permitted under the International Olive Oil Convention are washing, settling, centrifuging and filtration: olive oil is thus the only vegetable oil not extracted by solvents, and therefore a truly natural juice.

It has considerable nutritional qualities, and scientific research carried out in a number of countries has led to international congresses being held under the aegis of the International Oil Growers' Council, on the biological value of olive oil, comparing and contrasting the present status of investigations in the various countries.

These congresses have been held in Lucca (Italy), in 1969, Torremolinos (Spain) in 1975, and Khania (Crete, Greece) in 1980.

A number of papers read at the latter congress recommended that the consumption of saturated fatty acids contained in animal products should be reduced: the consumption of olive oil polyunsaturates was regarded as beneficial and advantageous over other vegetable oils.

A number of studies have also shown that the high level of olive oil consumption amongst the Greek population results in fewer deaths from arteriosclerosis and myocardial infarction, although developments over recent years tending towards the consumption of more varied fats, and hence resulting in a higher level of animal fat consumption, have produced an increase in deaths from coronary disease. The level of such deaths in Greece is still, however, only one third or one quarter of that in the Western European countries.

Other studies presented at this same Khania congress, by chemists from Paris and London, revealed the fatty acids present in olive oil to have a favourable effect on bone and brain development, this being particularly significant at the infant and suckling stage, as shown by tests carried out with mothers' milk.

Many studies indicate that olive oil used in food preparation will withstand higher temperatures than other vegetable oils, due to its higher oleic acid content. It is also the most resistant to oxidation, due to its high autoxidant content e.g. alpha-tocopherol (vitamin E).

Grades of Olive Oil

GRADES OF OLIVE OIL—Olive oil is essentially classified as: virgin, refined or pure.

Virgin olive oils are extracted by mechanical processes, under adequate thermal conditions, and are subjected to no handling processes other than sedimentation, centrifuging or filtration. They may not contain any proportion of oil of any other type, or obtained in any other form.

Virgin oils are classified as edible or non-edible. Edible virgin olive oils are further subdivided as a function essentially of their acidity (free acid, expressed as oleic acid), and organoleptic properties (odour, colour and flavour). A distinction is thus made between super (maximum acidity 1°), fine (1° to 1'5°) and standard virgin oils (the latter between 1'5° and 3°, with a 10% tolerance, hence possibly up to 3'3°).

Virgin oils which are not directly edible are designated lamp oils: these are the oils which, as a result of defective organoleptic characteristics, or acidity exceeding 3'3°, need refining to eliminate these defects and render the oils suitable for consumption.

Refined oils are thus oils obtained by refining virgin olive oils.

Pure olive oils, or olive oils, are a mixture of virgin and refined olive oil.

Other types of oil are also extracted from the olive, but cannot be designated olive oil: these are the oils extracted from the olive skins, using solvents. (Olive oils, it will be recalled, are obtained by pressing, or by heat, no solvents being used.)

Olive skin oils—the true name established by the International Olive Oil Convention—are subdivided into crude and refined. They must, of necessity, be refined if intended for oral intake, due to their otherwise excessive level of acidity.

Those not intended for oral intake are for industrial use only.

The current import situation in Olive Oil

Olive oil is one of the few basic products covered by an International Convention. The present International Olive Oil Convention was signed in Geneva in 1979, superseding the earlier 1963 agreement.

According to International Oil Growers' Council data from June 1981, there are, at the present time, calculated to be some 800 million olive trees throughout the world, of which 190 million (23.75%) are in Spain, 182m (22.75%) in Italy, 113m (14.2%) in Greece, followed, some way behind, by Turkey (10%), Tunisia (6.97%) and Portugal (6.19%).

This situation in which olive oil is consumed to a greater or lesser extent in virtually all countries throughout the world, in spite of the extremely limited number of producer countries, has resulted in brisk international trade, quantified by the International Oil Growers' Council at an average of 242,000 tonnes per year over the six harvests between 1974/75 and 1970/80.

To give some idea of the extent of this activity in Spain:

Olive groves cover some two million hectares, representing approximately 190 million trees and giving an average production of 425,000 MT per year, this country being the world's largest producer and exporter.

Another significant fact in any understanding of the economic and social importance of this activity is the dependence in Spain of more than 200,000 agricultural families on the production of olive oil.

Exports from Spain

Of the total international olive oil trade, estimated at 242,000 MT, Spain is responsible for average annual exports amounting to 92,300 tonnes. This country therefore accounts for 38.07% of olive oil exports throughout the world, in 1980 selling to exactly 100 countries and easily occupying the leading position on the world market.

This figure of 92,300 tonnes represents 21.71% of Spain's production, i.e. between one fifth and one quarter of the nation's total olive oil production is regularly exported to foreign markets.

The main buyer is Italy, although the quantities fluctuate considerably, as a function of Italy's own harvest. The second largest producer, Italy purchases the amounts it needs to cover her own supply requirements and the extra oils required for "cutting," as a result of the superior aroma and flavour of Spanish oils. Italian purchases are so variable that they may, from one year to the next, drop from 30,000 tonnes to 6,000 tonnes.

Russia has become the second largest buyer, at some 6,900 tonnes, closely followed by the United States, in recent years having purchased more than 6,800 tonnes.

Mention might also be made here of Libya. Although, however, on occasions the largest buyer of Spanish olive oil in absolute terms, and way ahead of its nearest rivals, Libya's purchases are extremely irregular. Based on a centralised economy, purchases are affected by a number of constraints, and there is no true clientele relationship. Other major importers are Australia (4,300 tonnes), France (3,100 tonnes), Saudi Arabia (2,300), Germany (1,700) and Brazil (1,300 tonnes).

The market is thus highly diversified, as is shown by the fact that the average purchase level of oils from this country over the past two years, has been E.E.C. countries 29.20%, Libya 28.51%, Russia 7.63% and other traditional purchasers 34.66%.

Spain's leading position as exporters of olive oil has been achieved only as a result of two basic factors: the acknowledged excellence of Spanish oils, and the undeniable professionalism, organisation and prestige of its exporter organisation, which has succeeded in providing its clients with an efficient and reliable service.

Controls on imported Olive Oil:

It is this professionalism which has formed the basis of the country's success and worldwide market penetration. For a producer to be permitted to export olive oil, he must meet certain requirements imposed by the Spanish authorities with respect to capacity and organisation, and must be registered. Once the exporter is registered, each export transaction is subject to prior obtainment of an export licence.

In addition, samples are taken of every batch passing through customs: these are subjected to rigorous analysis, a series of tests (investigation of organoleptic properties, spectophotometry, Hauchecorne, acidity, gas chromatography), being carried out to remove any doubt as to the oil exported not being a true olive oil, totally free from adulteration.

In addition, since the unfortunate cases of sickness caused by the consumption of industrial grade denatured colza oil, unlawfully sold for human consumption, through unprofessional trading outlets, further aniline detection tests have been carried out, allowing the Spanish authorities to be absolutely certain as to the quality of the oils exported. So stated a formal declaration by the Spanish delegation at the 45th session of the International Oil Growers' Council held in Madrid, between 23rd and 27th November this year, at which major agreements were reached with a view to improved marketing of olive oils and the adoption of internationally recognised standards, to provide a better means of defending the consumer.

Foreign Investment

A levelling off after quantum leap

A SHARP upward trend in the level of foreign investment in Spain has been one of the most notable features of the economy during the past five years. It has not just been major capital projects like the new motor plants of Ford and GM but a host of small and medium-sized investments as well in a wide range of sectors. Half of all investment permits have been below Pts 50m ($520,000).

But there are signs that this trend is peaking, at least temporarily. Figures for the first ten months of this year show that foreign investment authorisations have dipped 3 per cent to Pta 57.9bn ($600m) against the corresponding period last year. However, actual inflows which reflect the cumulative effect of prior authorisations indicate that this year direct foreign investment will be up to $1.5bn, against $1.2bn last year.

To understand what has been happening one has to look at the investment figures over the past four or five years, during which there was a quantum leap in foreign investment. Between 1977 and 1980 foreign investment totalled Pta 2,511bn ($2.6bn), double the amount of the whole of the previous decade. Of this the bulk—37 per cent—was directed towards engineering and more particularly the motor industry. A further 20 per cent went into mining, minerals and chemicals and another 18 per cent into hotels, tourism and trade.

In part these investments represented increased commitments by foreign companies which already had a presence in Spain—established there to get round the high tariff barriers and obtain access to the Spanish market. But also they represented a growing number of companies new to the Spanish market, either investing in an existing Spanish company or starting up green field operations. Here again there has been a notable difference between those companies investing in Spain as part of a multinational network of operations—especially the case with the motor industry—and those looking on Spain as a base to make a complete product which can either be exported or sold domestically. Undoubtedly the prospective entry of Spain into the EEC has proved a catalyst in this respect.

Changed

What has changed this year then? First, those companies seeking to use Spain as an eventual launching pad for the EEC or to penetrate the Spanish market before Spain's accession have largely completed or are in the process of completing their operations. Funds keep flowing in but on a small scale and primarily for treasury reasons.

Secondly, the domestic recession, now over four years old, has altered dramatically the optimistic growth projections which companies worked on in 1977 and 1978 and which still influenced their thinking until even a year ago. Many investments were based on the prospect of 4 per cent growth in Gross Domestic Product, which of course has not happened.

At the same time the economies of Spain's main trading partners (and essentially the countries from which investment has come) have been depressed during the past two years and latterly have had to come to terms with high interest rates. These two considerations in themselves are sufficient to cause a certain slowdown in investment.

Three further elements have to be considered, however. Negotiations between Spain and the EEC have dragged on much longer and less conclusively than originally anticipated. Two years ago the Spanish confidently stated that accession would occur in 1983. Now it is unlikely to happen before 1985 and there are tremendous uncertainties still on the transition timetable and the kind of concessions that will be made to Spanish industry and agriculture. These uncertainties are enough to make some companies reconsider the timing of their plans.

Then again the original attraction of Spain was a combination of the size of the domestic market, Government aids to establish new plant, high productivity and low labour costs. Inflation in the past four years combined with high wage settlements well above the European norm have ceased to make Spain a low-cost country, while productivity has declined.

Stability

Finally, the question of Spain's political stability could begin to have an impact. So far the instances of companies putting off investment because of the attempted coup are hard to pinpoint. America's tobacco group, Philip Morris, for instance, was reported to have dropped a bid for the sherry and brandy group Terry—but this has never been publicly admitted and could easily have been prompted by other reasons.

In the tourist and property development business, however, there is anxiety that these are one of the first sectors to be affected by foreign doubts about Spain's political stability. In industry there is less evident concern, but political stability is emerging as a consideration.

This year there has been an important shift in the pattern of investment. The effect of the authorities permitting two foreign banks, Britain's Barclays and France's BNP, to buy up Spanish banks has suddenly increased investment in financial services. Last year this amounted to no more than 7 per cent of the total: now it has risen to 19 per cent or the equivalent of Pta 11bn. Of this total, bank investment amounted to Pta 8.2bn.

These investments have also affected the country-by-country breakdown. Since Barclays put over Pta 5.5bn into its purchase of Banco de Valladolid, Britain has emerged for the first time in many years as the biggest single investor in Spain. In the first ten months the UK had invested Pta 9.2bn, or 16 per cent of the total, compared to Pta 2.3bn, or just under 4 per cent during the corresponding period last year.

The other leading sources of investment were France, Switzerland, West Germany and the U.S. in that order. Swiss investments continue to be a channel for third country involvement in Spain.

These figures do not give the full picture since there has been a growing involvement of foreign capital in the Spanish stock markets since 1979. Net foreign investment on the Madrid Stock Exchange in the first eight months was over Pta 4bn, equal to 7 per cent of direct foreign investment. Some of this has been speculative buying, but it also represents a way into Spanish companies for foreign investors.

Robert Graham

Banking

Shake-up brings more competitive system

THE SHAKE-UP in Spain's banking system continues apace. In some cases the effect has been traumatic, especially the losses incurred by the collapsed banks. But overall the end-result is a healthy one—a move towards a more liberal, competitive and varied banking system responsive to the needs of an economy slowly breaking free of the shackles of interventionism and protection.

The shake-up is going on at three distinct levels. The first concerns the elimination or refloating of a series of badly managed banks which have run into difficulties over the past three years. The second involves the liberalisation of the banking system, in terms of both new financial instruments and the opening up to a degree of foreign competition. Finally there is a growing generational divide between those bank managements who persist with old practices and much older persons at the helm and those who have let younger men with fresher ideas take over.

Aided

Almost 20 banks have had to be aided directly or indirectly since the beginning of 1978 when the first signs of problems began to be detected. Since then total losses have amounted to over Pts 60bn and the figure continues to nudge higher.

Of the banks affected one has been struck off the register (Banco del Pais), one has gone bankrupt (Banco de Navarra) and one has gone in to temporary receivership (Banco Industrial de los Pirineos). A further 13 have been taken over, either by the so-called "bank hospital," the Corporacion Bancaria (jointly administered by the Bank of Spain and the banking community) or by the Deposit Guarantee Fund, again controlled by the Bank of Spain in conjunction with the banks.

The most notable collapse this year has been that of Banco Occidental and its affiliate, Comercial Occidental, which were taken over in July by the Deposit Guarantee Fund. Occidental, with deposits equal to $600m, is Spain's 19th largest bank, owning over 100 companies. Initially it was thought that losses would be just under $100m. Now it looks as though they will be over $150m.

The collapses have resulted from a fairly obvious mix of causes. A high proportion are small banks that were allowed to establish in the early 1970s when banking legislation was relaxed in this respect. Others are banks that took advantage of this legislation to expand very rapidly.

These expansions were achieved by competing aggressively for business through offering above-market rates. The banks involved then became squeezed when the market tightened and the economy relapsed into deep recession. This was especially the case with industrial banks and those that became heavily involved in the property market.

It has also to be stressed that there was a high concentration of risk, often among shareholders and directors in the form of poorly guaranteed loans—and although there has been little legal action bankers closely connected with dealing with the crisis identify cases of fraud.

In effect what has been happening is a ferocious weeding out of the incompetent elements within the system. Nevertheless it is dismaying how many prominent figures, especially with political connections, have been associated with the boards of banks that have run into difficulties.

Indeed one of the problems faced by the Bank of Spain and the Spanish Bankers Association (AEB) has been one of preserving confidence. Frequently there have been warning signals enough about a bank heading into difficulties and efforts have been made to resolve the problems discreetly in the hope of doing just that. Yet this approach has enabled the people running these banks to exert a form of blackmail—"Help us to survive or else . . ."

So banks which should perhaps have been left to go bankrupt and disappear have been supported. Additionally, the legal instruments available to the authorities are hopelessly outdated and far too vague. On one occasion this year the antiquated legal system resulted in the chief cashier of the Bank of Spain, sent expressly to wind up the Banco de Navarra, becoming himself the subject of a detention order relating to the bank's subsequent bankruptcy. Yet there was no suggestion of any wrongdoing—indeed he was on state business.

Appearing before a Parliamentary commission in October the Governor of the Bank of Spain, Sr Jose Ramon Alvarez Rendueles, maintained that the worst of the crisis was over. While in no way minimising the seriousness of what had happened, he pointed out that the total number of deposits affected by the crisis, some Pta 300bn, represented only 4 per cent of the banking system's deposits.

The system can claim some success, moreover, in refloating banks in difficulties—although it has not been an entirely painless process. Buyers of banks that have been refloated have with one exception been among Spain's Big Seven banks. They have bought either as a result of arm-twisting or prior involvement—or because the buyers saw a chance of picking up a branch network in areas where they were weak.

Refloating the banks provoked serious ructions within the Spainsh banking community when foreign banks also felt they could take a share in the action. While being none too keen on a foreign bank buying into a healthy Spanish bank, the authorities found no objection to such a purchase in the case of one of those taken over by the Guarantee Fund or the Corporation Bancaria.

This led Britain's Barclays to test the water by making an offer for Banco de Valladolid, taken over by the Corporation in December 1978. No other Spanish bank was wiling to touch it. Yet when the Barclays bid was disclosed and the Bank of Spain acceded last January, there was a roar of protest from the more traditional Spanish banks.

This reaction effectively blocked a move by America's Citibank to buy up nine affiliates of the finance group Mafre—and led to abortive efforts to block France's BNP buying another ailing bank, Lopez Quesada. For close on three months the major Spanish banks fought a shrill and highly disorganised rearguard action to stop the Lopez Quesada deal. But in the end they gave way—not least because the French bank was offering far better terms than they were prepared to put.

These two deals have marked a turning point in Spanish banking history.

Influx

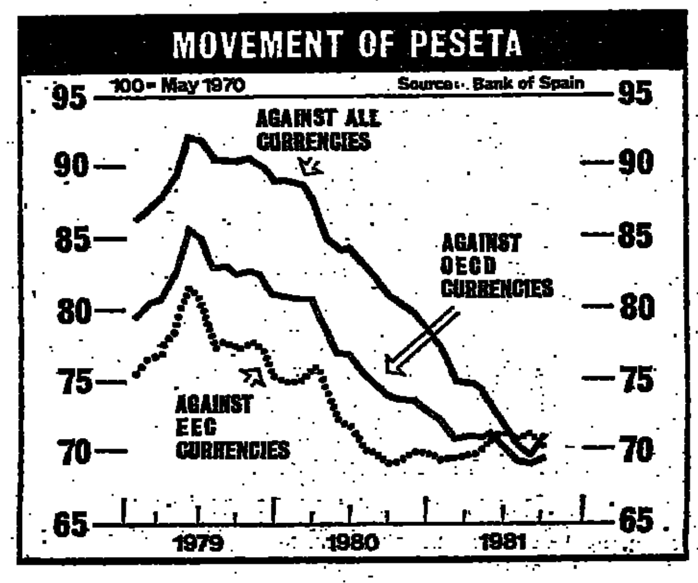
Significantly, the principal objections to the foreign presence come from the older generation of bankers. While none of the Spanish banks particularly likes a foreigner muscling in on its cosy patch, those with younger managements realise that the foreign influx is a healthy development.

It is interesting to note that among the Big Seven banks three of the largest are still run by what could be termed senior teams. The principal figures at the largest bank, Banesto, are in their seventies and eighties. In the more aggressive banks like Bilbao and Vizcaya the leadership is almost half this age.

The issue is made more complex to resolve because the banks are still making healthy profits as a whole. Thus the need for change is not so visible—although this year some of the Big Seven have seen their share of the market nibbled away. On average it seems that the banks will be able to record profit increases of around 15 per cent, running above the level of inflation.

These profits stem from continued high interest rates, commissions, increased foreign operations and in particular this year from a decline in the demand for private sector credit and the Treasury's need for funds. Banks have been buying up public debt issues at rates of 18 per cent, with very little handling cost.

Robert Graham



SPAIN VII

Labour

Social contract offers vision of restraint by unions

SPAIN STARTS next year with its first social contract, the National Agreement on Employment (ANE), signed in June and described last month by the main employers' federation, the CEOE, as "an historic fact of incalculable importance."

The agreement follows four patchy years in Spain's industrial relations. In 1978 the latter were governed by the "Moncloa Pact," an essentially political accord reached by the major parties which presented employers and unions with a set of norms that they were then expected to follow. The year after industrial relations were characterised by an occasionally volatile mix of Government intervention and bare-knuckle fighting.

Then, at the end of 1979, the CEOE and the Socialist General Workers Union (UGT) reached a bilateral outline agreement on industrial relations, egged on by the Government. The aim was in large part to squeeze Spain's largest union, the Communist-led Confederation of Workers Commissions (CCOO) and to boost the then ailing UGT's position by preferential treatment.

This agreement has lasted for two years and the CCOO has had both to live with it and also see the UGT draw almost level with it in national works council elections.

The ANE, a tripartite agreement between the Government, the CEOE and both the major unions, is therefore a major break with recent tradition. The fact that it was signed as long ago as June indicates that its intention is in large part an attempt by all three parties to set to offer a vision of orderly industrial relations following the trauma of February's failed military putsch.

Wage cut

In essence the ANE commits the unions to accepting a cut in real wages next year in return for a Government commitment to create 350,000 new jobs and a vaguer undertaking by employers to co-operate in creating new jobs.

The unions have accepted a wage band between 9 and 11 per cent for 1982—with a 9 per cent ceiling in the public sector. With inflation next year not expected to fall below 12 per cent this means a fall in real income. It is also the most definite aspect of the agreement, since it is far from clear how the Government is going to fulfil its pledge to hold unemployment at current levels (approximately 1.7m or 13 per cent of the workforce) by the creation of 350,000 jobs. It is unquestionably the unions therefore which have made the greatest sacrifice.

This restraint follows a year in which wages are likely to have lagged slightly behind inflation; at the end of September settlements averaged 13.3 per cent against inflation of 14.1 per cent. The wage band of the agreement in force this year was 11 to 15 per cent and the 13.3 per cent average indicates the success of the union leaderships in selling restraint to their members in the interests of preserving jobs. The leaders of both unions are hoping to repeat the performance next year and have given the ANE strong, if not unconditional, backing.

DISTRIBUTION OF THE WORKFORCE

(per cent at September 30 1981)

	Industry	Construction	Agriculture	Services	1st jobseekers
Workforce	26.08	10.28	15.96	42.79	—
Unemployed	25.66	23.66	4.61	23.61	22.46

Source: Ministry of Labour.

The difficulty is that there is little discernible evidence that past observance of wage ceilings has kept unemployment down and there are major job-losses still to come. The textile industry, for example, plans to shed 60,000 out of 360,000 workers over the next three years, while the integrated steel industry wants to cut 6,000 out of 48,000.

Indeed what industrial militancy there has been recently has been to a large extent in defence of jobs. Over the past three years strike action has tailed off significantly. In the first 10 months of 1979 and 1980, 150m and 97m man-hours respectively were lost through strikes. This year, figures for the first 10 months show nearly half as many more strikes, involving a third more workers (3m), but a 37 per cent drop in the number of man-hours lost (61m). These figures reflect more sophisticated tactics by the unions in calling out more people but for shorter periods. But they also reflect a genuine drop in industrial disruption.

September and October of this year, however, have shown a marked increase in strike action—up 13 tnd 22 per cent on the corresponding months last year. Some 100,000 jobs were lost in these two months and over 40 per cent of strike action was against planned reductions in the workforce. In October, the last month for which figures are available, over half the 2.7m man-hours lost were in Andalucia—where in some areas one in three of the workforce is without a job—and the Basque country, which is experiencing the shock of large-scale unemployment for the first time. Indeed, the Basque country, with its ailing steelmills and shipyards and cash-starved capital goods and engineering plants, has accounted for nearly a quarter of man-hours lost this year.

None of this augurs well for the ANE, or for the credibility of the union leaderships if the new jobs in the accord fail to materialise. Nor does the use of riot police to break up two recent demonstrations by workers protesting against job losses—at John Deere Iberica in Getafe near Madrid and SA Echeverria, the Bilbao steelmaker—help to produce the calm and orderly climate of negotiation envisaged by the ANE.

But a big plus for the ANE is that neither of the major unions will want to risk a serious confrontation with either Government or employers while the future of Spain's democracy remains insecure. Besides, even if the threat from the military were not sufficient disincentive to provoking social disorder, the sorry state of much of the Spanish economy would make any strategy of confrontation extremely risky.

Strategy

The CCOO attempted such a strategy in 1980 in a bid to make the CEOE-UGT bilateral accord unworkable. It got its fingers badly burnt: around 80 per cent of all wage settlements that year fell within the terms of the accord and the UGT won nearly 30 per cent of factory council seats, while the CCOO's representation fell back from nearly 40 per cent to just over 30 per cent.

The CCOO arguably paid the price of promoting militancy on spurious grounds. Though its defence of factory councils (which group all workers irrespective of union affiliation, whereas the UGT's strength is in "trade union sections" open only to union members) was popular with the average worker, the two unions often appeared to be divided by little more than half a percentage point in next year's wage packet. Moreover, while little appeared to distinguish what the two unions stood for, the UGT had had financial backing of the Socialist International and readier access to bank credit. It could thus provide a range of modern trade union services which made membership of it attractive and with which the cash-strapped CCOO could not compete.

For its part, the CEOE has this year emerged with a new cohesion and confidence. This was evident from the way it walked out of the tripartite commission set up to monitor the ANE in October, and the stinging attack on the Government made in September at its annual conference by its president, Sr Carlos Ferrer Salat.

Concern

Its three-week boycott of the ANE was designed, it says, to underline its concern at the size of next year's budget deficit, and its annoyance at the allegedly secret agreement by the Government to hand over Pts 800m to the unions. This sum is part of a Pts 2.4bn settlement in restitution for the large assets confiscated from the unions by Franco after the Civil War.

Negotiations on this so-called "trade union patrimony" have been in progress on and off for nearly four years and were no secret to the CEOE. Though the CEOE feels it has legitimate grievances — in particular it is pressing for easier hire and fire laws — the clue to its recent stridency may lie in Sr Ferrer Salat's attack on the ruling UCD's "ideological incoherence." At the organisation's annual conference Sr Ferrer Salat warned that the Government could not count on the CEOE's support at the next elections if its grievances were ignored.

These remarks were widely interpreted at the time as an endorsement of the "grand coalition" of the Spanish Right being sought by Sr Manual Fraga Iribarne, leader of the Right-wing Popular Alliance, and sectors of the UCD Right.

David Gardner

Unemployment

Government committed to huge plan to create jobs

THE GOVERNMENT of Sr Leopoldo Calvo Sotelo, on which the influence of the Spanish Right is increasingly evident, is committed to a huge task — creating more new jobs than M Francois Mitterrand's Socialist-led administration in France.

It does indeed require a certain willing suspension of disbelief to accept the Government's claim that by this time next year employment will be stabilised at current levels, with the creation of no fewer than 350,000 more jobs. The actual level of unemployment in Spain depends on whose figures you use, but there is now little doubt that the country faces a level of real unemployment of about 2m — more than 16 per cent of the 12.86m workforce—by the end of this year.

To stem this haemorrhage of jobs next year, when even optimistic forecasts see real growth levels of between 1 and 2 per cent, is going to be a formidable, if not impossible, job.

Figures supplied by the Labour Ministry for unemployment to the end of September show a total of 1,594,291 jobless. Some 68 per cent of the unemployed are male and 32 per cent female; 48.4 per cent are under 25 (with almost equal proportions by sex).

To this must be added figures in the pipeline for October, indicating an additional 54,000 jobless. The Labour Ministry figures are adjusted and mask the confluence of two major seasonal factors.

For example, the September figures show a 14 per cent increase in agricultural employment — because of the harvesting season — and only a 3.9 per cent increase in unemployment in the services sector. This latter figure does not reflect the massive increase in jobless that follows the end of the peak tourist season. Nor do these figures sufficiently take into account a new generation of school-leavers and students (roughly half of Spain's students take their final exams in September), which will make the proportion of first-time job-seekers — currently given as 22.5 per cent of total unemployed — considerably higher.

Even on these figures, however, unemployment is up 280,000 to September against a 1980 increase of 373,000; in addition, there are 134,000 workers registered as working on short-time.

The worst-hit sector, discounting the vagaries of agriculture, is construction, while the most buoyant (relatively) is the services sector. It is services which has ensured what real growth there has been in the economy since 1978, and there is evidence that it is expanding beyond the growth of the tourism sector proper (where receipts are likely to end the year up 5 per cent on the annus mirabilis of 1978).

Training schemes

Not least, this expansion is reflected in Government and private training schemes: 47.5 per cent of the 43,119 people who have completed such training schemes this year have been in the service sector.

Retraining still plays a small part in these schemes, with only 7.8 per cent of the 3,312 people leaving such schools in September being formally retrained. The tripartite National Employment Agreement (ANE) signed by Government, employers and unions in June is supposed to make a modest dent in this problem.

The employers have undertaken to create 80,000 new jobs through retraining and training schemes aimed at youth. It is not clear though whether this is part of, or in addition to, the 350,000 jobs which the Government itself is pledged to create.

Quite how the Government is going to bring this off is exercising the most gifted Spanish pedants to the exclusion of almost everything except the coup rumours, the Government crisis and the drought. The draft budget before parliament so far allows for a deficit next year of Pta 698bn. However, all budget deficit targets have been massively overshot in the past five years and even members of the Government expect next year's deficit to exceed Pta 1,000bn.

There is no evidence in this spending, however, of any classic, large-scale job-creation scheme, such as, for example, a significant public works programme. This has led to acrimonious comment from both sides of industry, and indeed both sides of parliament, on the "quality" of the deficit.

For example, 77.5 per cent of public spending will be current spending (up from 68.3 per cent in 1977) against 20.8 per cent capital spending (down from 29.5 per cent). Of this capital spending, only 7.5 per cent will be real new investment, with the other 13.3 per cent being capital transfers—some of it to shore up public sector companies in deficit. This will underwrite existing jobs but not actually create new ones.

Of the real new investment, of Pta 343bn, more than a third is accounted for by defence spending. Though most of the rest is devoted to roads and infrastructure, and the sum apportioned for the restructuring of industries has been nearly doubled to Pta 25.7bn, this by no means adds up to 350,000 jobs.

The Labour Ministry says that money for new jobs can come from rechannelling unemployment benefit towards productive activity. The same proposition could be put into practice in, say, France or the UK, but it hasn't. And a fair cross-section of Spanish opinion doubts that the ruling UCD is going to prove the exception.

Unemployment benefit in any case covers only 51.87 per cent of the registered unemployed, partly due to the incidence of seasonal working. In addition, social security receipts have covered only between 36 and 40 per cent of benefit paid over the past three years, despite a 1980 law requiring 60 per cent coverage.

With the state's contribution, next year's social security budget will rise by two thirds to Pta 524bn. But economists believe that even this increase will leave a significant shortfall of up to Pta 140bn. And employers have long been complaining about their social security burden, which they now estimate at 29 per cent of their labour costs.

Hunger

There are two others, regionally-focused sums available: the Pta 180bn Interterritorial Compensation Fund (FCI) and the ad hoc community employment fund. In 1979, some Pta 14bn of the latter was deployed to palliate actual hunger among landless labourers in Andalusia, following a campaign of agitation and land occupations which was repeated this year and last. It is a discredited stop-gap instrument which all parties would gladly do away with.

Under the new FCI, however —a sort of Robin Hood mechanism designed to transfer resources from rich to poor regions—Andalusia will get Pta 47bn (26 per cent of the total). Official statistics give unemployment in the Andalusian province of Cordoba as more than 27 per cent. But of the seven provinces that share more than half of Spain's unemployment, four are the country's major industrial centres — Barcelona, Madrid, Vizcaya (Bilbao), and Valencia.

The problem with trying to iron out the country's chronic regional imbalances in the midst of a recession is that these industrial regions do not have excess resources. Further, the psychological blow of experiencing largescale unemployment for the first time makes them just as much a potential focus of instability as the depressed southern countryside.

David Gardner

Industry: modest hope of recovery

NO OTHER European country's industry has suffered from such sustained recession in recent years as that of Spain. For the past two years modest hopes of recovery have been voiced about the year ahead only to be quashed by stagnant domestic demand and the depressed state of Spain's main trading partners.

Now once again there is a modest hope of a mild recovery based on the effects of increased public sector investment, the cumulative expenditure on energy and energy-related projects and a new impetus to low-cost housing construction.

The optimists also point to the positive consequences of industrialists having to learn to cope with the multiple problems of financial stringency, greatly increased production costs, competition generally and declining domestic markets. While it is true that the better managed companies are indicating improved profit performance this year, there is a grimmer side to the picture.

Over the past five years an alarming degree of under capitalisation has occurred in industry and very few companies are in a sufficiently healthy position to take advantage of the recovery when it finally happens.

Opinions

The level of industrial activity is measured by a monthly survey of industrialists' opinions and a recently recalculated index. Neither of these is particularly indicative but for those looking for evidence of the beginnings of a recovery the latest survey of industrial opinion confirms a trend of continued drawing down of stocks.

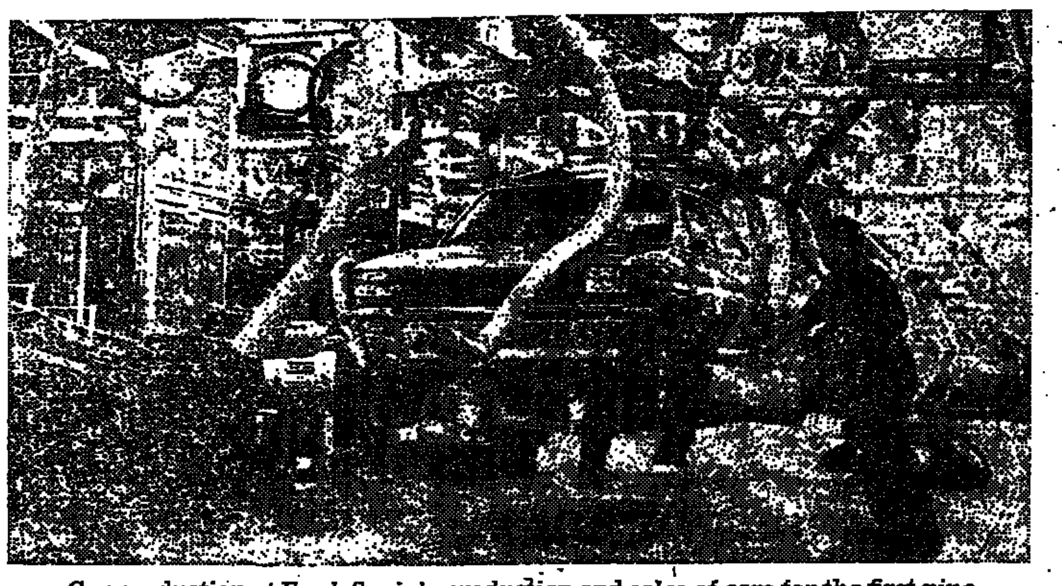
Perhaps a more accurate reflection of what is really happening in industry is power consumption. In the first nine months it rose by a mere 1.7 per cent. Take steel consumption too. This is at the 1969 level. Decline in production and demand can be seen best in perhaps what was until recently one of the most dynamic sectors — the motor industry. Industrial vehicle production and sales in the first nine months were down 15 per cent and 27 per cent respectively. In the case of cars production and sales were down 17 per cent and 15 per cent, with sales at the same level as 10 years ago.

Boosted by the heavy investment of the private- and state-owned utilities in the energy field, the capital goods sector order books have shown signs of improvement. This year, for instance, total energy investment amounted to Pts 557bn (almost $6bn) and next year it will rise to Pts 613bn.

Other support for the capital goods sector has come from large investments by the national telephone company, Telefonica, and the start-up of a ten-year modernisation programme by the national railways, Renfe, costing over $13bn. But in the case of these latter two the investment programmes have been subject to delays that have caused serious headaches to the manufacturers potentially interested in contracts.

A more general stimulus anticipated from a pick-up in construction activity has yet to materialise. In November 1980 the Government announced with much fanfare a major initiative to stimulate the depressed construction industry, working less hours than seven years ago. The aim was to build 570,000 low-cost flats between 1980 and 1983.

But no one realised at the time that municipal practice and legislation had to be streamlined and that easier facilities had to be made available for low income groups to obtain mortgages. It has taken virtually a year to resolve these issues and only now is the programme getting under way—financed, in agreement with the banks, to the tune of Pts 350bn. This should have a positive impact both on employment, on the large cement industry and on the ancillary industries dependent on construction.



Car production at Ford. Spain's production and sales of cars for the first nine months of this year were down by a sixth

The greatest attention continues to focus on those industries which need restructuring. These are basically industries which over-expanded in the mid-70s, found themselves with excess capacity, high financial overheads and surplus labour. Alternatively they are traditional industries which have accumulated labour over the years and are now squeezed by Third World, or European, competition (or the prospect of it), the result better quality, new technology or prices.

Often these two elements are interrelated, found in the first category is the all-important steel and shipbuilding industry and in the second the textiles industry and footwear.

The Government this year published a decree giving it special powers to intervene and finance such troubled sectors of industry. Moreover, the budget for 1982 for the first time gives detailed attention to dealing with the financial problems of specific industrial sectors in need of rationalisation.

Six sectors have been singled out for particular attention—basic steel, special steels, shipbuilding, textiles, domestic appliances and motor components. According to the budget these sectors will receive between now and 1983 Pts 82bn in the form of capital injections direct from the Treasury to companies controlled by the state holding company INI.

Subsidy

A further Pts 62bn will go to non-INI companies in the form of Ministry of Industry grants for investment. The Ministry of Labour will also provide Pts 21bn to cover early retirement and enforced redundancies and the Ministry of Transport a special Pts 36bn to the shipbuilding sector as a subsidy. The total budgetary contribution to these six sectors amount to $2bn from 1981-83 at current prices.

The state commitment is even greater if official credit, special credit and Ini guarantees are considered. Official credit and special credit needed, plus state guarantees for private financing, will also extend to four other sectors—paper, electrical capital equipment, forgings and castings and ordinary steel. Official and special credits to the ten sectors from 1981-83 will amount to Pts 212bn.

The official Credit Institute and Ini are expected to have to guarantee between them private credits to the tune of Pts 125bn. This very substantial budgetary support and credit backing has raised fears that too much effort is being directed to these sectors, so making it extremely difficult for companies outside them to obtain assistance.

Integrated Steel has received arguably the most attention. Certainly the administration has taken the longest to tackle its twin problems of overcapacity and financial restructuring. As far back as 1977 a plan for restructuring the three integrated steel producers, Ensidesa, AHV and AHM, was drawn up.

Until this year, however, the only part of this plan — subsequently rewritten — to be implemented was the state take-over of AHM. The hold-up was due in large measure to the position of the one remaining company in private hands, AHV, based in Bilbao, which had accumulated huge debts both to the Government (tax arrears and social security arrears) and to the private banks.

It was the latter who could not agree among themselves on how to roll-over or write off these debts of Pts 16bn that really caused the delay. Agreement was finally reached in May, so paving the way for a solution that has preserved, for the moment at least, the fiction of AHV being private. The solution has meant that the three companies are kept separate yet with a pact on pricing and marketing.

Over the next three years the Government is committed to provide a total of Pts 70bn to these three companies in budget hand-outs. A further Pts 33bn will be handed over in the form of soft credit, and the State will stand guarantor for another Pts 60bn in longterm funding from the private banks. With this money the three companies hope to (a) ease their cash flow problems, (b) reduce the heavy burden of debt payments on turnover, (c) begin a programme of new investments, (d) pay off redundant workers.

On the labour side 5,800 of the 38,200 workforce will be cut, mainly through voluntary redundancy and early retirement. The workers have also accepted an average 5.5 per cent wage rise ceiling over the next three years.

What has not yet been decided is the siting of new investments — in particular a new hot-rolled coilex complex. AHM needs such a complex to be viable with Ensidesa and AHV. But there are important regional lobbies at stake.

In the case of special steels, the solution to overcapacity and increased competition has been to form a holding company in which, seven of the major concerns are represented and where the Basque Government has a stake (because of the siting of the industry almost exclusively in the Basque country) alongside the Spanish state.

The idea is that the holding company co-ordinates marketing strategies, helps with new technology and acts as the channel for funds. The project has been slow to mature, hindered by the financial problems of individual companies, in particular those of Aceros de Llodio and Echevarria.

The latter is seeking to slash its 4,500 labour force by almost 20 per cent and has been the subject of serious industrial action since May. The concept of a holding company to co-ordinate—and ultimately integrate, one suspects—a series of companies operating in a specific sector has been extended to the domestic appliances industry.

Domestic appliances sales (washing machines, fridges) have fallen sharply since 1977 and are now at the levels of a decade ago. Six of the smaller companies, affected by overcapacity and higher production costs, have grouped under a holding company called Selesa. Their financial needs up to 1983 are reckoned to be close to Pts 15bn. Initially the Government has provided Pts 2bn as a grant.

But for the sector as a whole, redundancy payments included, this could reach Pts 7bn by 1983. Meanwhile the official Credit Institute will guarantee Pts 11bn of loans. In industries where there is a proliferation of companies like textiles such an approach of dealing through a holding company is impossible.

Criteria

Thus in the case of textiles, which employs almost 400,000 persons, the Government has agreed to put funds available so long as companies accept a series of rationalising criteria.

In other crisis sectors, dominated by a limited number of companies, the administration has moulded plans round individual concerns. This is so with the motor components industry, dominated by Fensa-Robert Bosch.

The biggest single outflow of direct Government funding is to the depressed shipbuilding industry, 40 per cent over capacity. Over the next three years roughly half of all direct state subsidies to industry, Pts 93bn, will be absorbed by the state-controlled shipyards, both civil and naval. The latter will also benefit from the biggest single slice of soft credit, to the tune of Pts 150bn.

Much hope is being placed in a revitalised ship-building industry that can also diversify activity to include offshore petroleum platforms and rigs. Current annual orders are running at 700,000 dwt, of which 55 per cent is for export. The main problem has been less one of technology and more of costing, credit and the depressed nature of international shipping.

Robert Graham

Civil Service: slow reform

IN SPAIN'S rapid move towards democracy, the bureaucratic apparatus responsible for making the new state machine work has tended to be forgotten and the first reforms will not be on the statute books until the middle of next year.

The urgent necessity of an overhaul was made obvious by the extent and volume of the political reform. In the process of transition from Francoism the executive became answerable to an elected parliament, local government was democratised and trade unions became a legal force.

As if that were not enough the existing tight centralism was replaced, at the stroke of a constitutional pen, by the quasi-federal framework of regional governments enshrined in the Estado de Autonomias. The reform envisaged now is the first since an attempt to recharge the civil service in 1964. On that occasion it was the economic take-off marking the boom of the 1960s which precipitated a hard look at the bureaucracy.

The starting point for reform is the recognition that the Spanish civil service is badly distributed, excessively departmentalised, underpaid and little inclined towards efficiency. According to one acerbic critic of the bureaucracy, Sr Alejandro Nieto, a professor of administrative law, the Spanish civil servant earns a low salary, has limited promotion prospects, is subject to an arbitrary regime, but on the other hand "is absolutely free to spend his entire day in the department's canteen drinking coffee."

Laziness, irresponsibility and cynicism are, according to Prof. Nieto, bywords used by the Spanish public dealing with civil servants. The picture is at least a familiar one. Spain's romantic critic last century, Mariano Jose de Larra—a mixture of Swift and Dickens who ended up committing suicide—basted the country's hopeless bureaucracy in a celebrated article entiled "Come back Manana" with a venomous freshness that retains its truth a century and half later.

What the general public does not know, says Prof. Nieto, is that this depressing picture extends upwards to the highest reaches of the administration where "even Ministers themselves are seldom in a position to have their subordinates carry out their orders." It is hardly a reassuring departure point for an overhaul and consequently the draft reforms keep a realistic low profile.

The reform consists of two laws that together aim to "rescue the idea of discipline at work," as Luis Fernando Crespo, Secretary of State for the Civil Service Administration, puts it. Critics such as Sr Francisco Ramos, chief spokesman on the civil service for the Socialist Party, complain that the reforms prepared by the Government are "timid." Sr Crespo contends that the overhaul has to be approached with "realism."

One legislative package defines the trade unions rights of civil servants with a liberality that would gladden the heart of the most truculent TUC official. Civil servants of all classes, air traffic controllers included, are put on the same footing as any other organised labour group. Political expediency, government officials admit, dictated that it could not be otherwise.

There are only certain exceptions among essential services attached to the Defence Ministry and these have become the focal point of opposition disagreement. In effect what this law does is to put the legal stamp on a progressive unionisation of the bureaucracy that had been tolerated by provisional legislation dating back to 1976.

The second proposed law, which regulates the statutes of the civil servants, goes somewhat further in intent and in scope. The broad aim is the professionalisation of the civil service. The immediate object is to level out pay differentials between departments and to structure the promotion ladders. It is complemented by other proposed legislation covering vexed questions such as that of incompatibilities or of holding down several public service jobs at the same time.

Perhaps the most important element in the current draft law is that the rank of director general or departmental head can be held only by a member of the particular ministerial service. In practice this is almost 90 per cent true of all the departments already and while the draft law makes this mandatory, it still allows scope for the incoming minister to follow a form of restricted spoils system, and promote to the departmental headship his particular appointee from within the appropriate service ranks.

Incentives

However, government officials also stress the legislative attempt to iron out wildly differing salary incentives that are jealously guarded by the scores of specialised corps that make up the civil service.

The corps form the backbone of the Civil Service. The previous, 1964, overhaul of the bureaucracy laid down a framework for three levels. At the top the technical corps provides personnel to the senior advisory and policy-making post. Immediately beneath them comes the larger and also well-qualified administrative corps that helps the preparation of policy decisions and their execution much on the lines of the British executive class in the Civil Service. The 1964 reform finally aimed at the creation of a single auxiliary corps to provide clerical personnel.

The ideal of an interdepartmental, cohesive service which inspired the 1960s reform broke interest of the 159 existing corps down against the entrenched in the central administration. The envisaged all-rounders from the highly-qualified Tecnicos de Administracion civil corps should have acted on the model of the French enarques, but in practice they tended to become just another corps, vying for influence with the already established power groups such as the Abogados de Estado (dependent on the Finance Ministry whose primary function is to represent the state in litigation) or the Tecnicos de Comercio (attached to the Ministry of Commerce).

Where the corps system is at its weakest is in the inbuilt inequalities in pay and prospects that are fostered by the accumulated traditions and prerogatives of individual services. Each profession has engendered different corps attached, at least formally, to a different Ministry. Thus a surveyor belonging to the profession's Treasury Ministry corps was in 1979 on a Pts 900,000—1.8m salary scale while the band for the Ministry of Public Works surveyor corps went from Pts 700,000 to Pts 1.3m.

Sr Crespo Luis Fernando at the Secretariat of State for the Civil Service foresees that as the proposed legislation gets under way, these differentials will be eroded. Many of them, he maintains, are based on "obscure and scarcely transparent" privileges which the law regulating the Civil Service status will attack at root. "No civil servant will have its income reduced, however," Sr Crespo says.

No more ambitious reforms aimed at a thoroughgoing rationalisation of the Spanish civil service and at raising the

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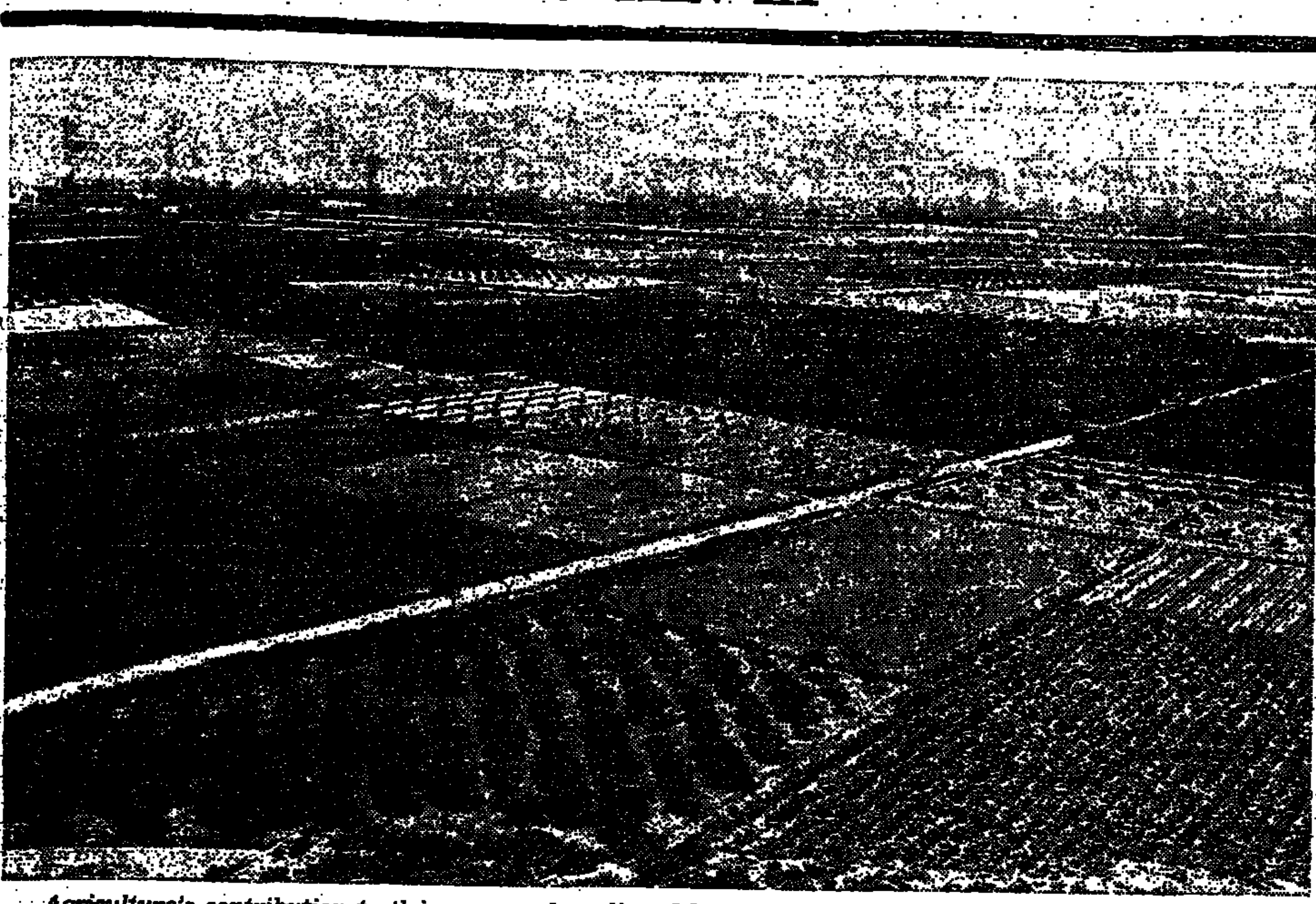


Agriculture's contribution to the economy has slipped because of the drought and the Government has had to greatly increase subsidies to farmers

Food and Agriculture

Problems of two calamities

THE COUNTRY'S agriculture has been afflicted by two calamities this year: a prolonged drought which has lasted 20 months in some regions, and the aftermath of the cooking oil fraud which, as well as the considerable cost in human life, is having a serious effect on consumption and exports.

The fraud, discovered in May, involved the illegal distribution of adulterated rapeseed oil, treated for industrial use but sold as olive oil.

Which of these two calamities will eventually have the biggest impact on Spain's economy is still difficult to assess. A lot depends on how long the drought continues, and on the degree to which Spanish food exports in general may be affected by the cooking oil fraud.

Also, some initial reactions can be misleading. For instance, the drought has now become a *bete noire* for all of the problems of Spanish farmers, even though it is mainly three regions—Extremadura and Andalusia in the south and central Castille—that have been greatly affected.

Five countries—France, Italy, Switzerland, Sweden and Kuwait—decided to ban imports of Spanish cooking oil and of Spanish canned foods containing oils, such as canned sardines, anchovies and tuna fish, in an effort to protect consumers from the spread of the toxic oils. Now Spain's fish canning industries, most of which are based in north-west Galicia, claim they are on the point of bankruptcy.

But not all the ills of this sector can be blamed on the food fraud. Before it happened, the fish canning industries, which comprise 373 companies and employ 40,000, were already in a state of crisis. The costs of fish have gone up sharply in the last two years. Less fish is available as restrictions on Spanish catches by Portugal, Morocco and the EEC become more effective; and the economic recession and a static level of population have resulted in a general decline in food consumption in Spain.

There have also been changes in consumer habits, for instance, away from canned fish in favour of frozen fish; a move which has been noted by foreign companies interested in investing in the sector, but virtually ignored by Spanish companies and officials.

It would be misleading though to minimise the implications of the food fraud. In October, for instance—reflecting a decline in consumption both in Spain and abroad—stocks of canned fish had piled up in Galicia to more than 10,000 tons when usually at this time of the year the stocks run at about 3,000 tons. There was also a 50 per cent decline in exports of Spanish canned foods between January and October compared with the same period in 1980, representing a loss of $42m.

More revealing still, after the fraud was discovered, there was a drop of 70 per cent in Spain's olive oil exports from June-August this year, compared with the same months in 1980. Total exports of olive oil are not now expected to be more than 70,000 tons this year as against 131,000 tons in 1980.

It is worth pointing out, however, that the decline in olive oil exports probably has as much to do with a decline in production caused by the drought as with the cooking oil scandal. Also, most of Spain's canned food exports and olive oil exports do not go to those centres which have now imposed bans.

Discrepancy

Total agricultural exports between January-July this year were valued at Pta 1,052bn compared with Pta 815bn in the first six months of 1980. Over the same six months the agricultural trade deficit grew to Pta 640bn compared with Pta 537bn in 1980.

The scandal has revealed profound structural deficiencies, the most glaring being the inadequacy of health controls. As a result of the scandal it has come to light that ever since 1974 there has been a discrepancy of about 100,000 tons a year between the amount of olive oil actually produced in Spain and the "olive oil" consumed by Spaniards.

Another striking discovery is that at the time of the outbreak of the scandal, in May, there were only 500 food inspectors nationwide and only 20 operating in Madrid.

Second, the scandal has highlighted inefficiency in at least five Ministries—Health, Trade, Economy, Finance, and Agriculture. The authorities have never investigated why Rapsa SA, a well-established company in San Sebastian, was importing such vast quantities of chemically-processed rapeseed oil, normally used for industrial purposes, at a time when the Basque Country's heavy industries are in a state of crisis.

Rapsa, whose proprietor is now in prison awaiting trial for his alleged involvement in the fraud, imported 682 tonnes of this oil in the first six months of this year, more than all its imports in 1980. In addition, this rapeseed oil was imported without the relevant import papers being completed and without the oil being dyed red, in accordance with regulations on toxic oils.

Third the scandal has illustrated just how pervasive food frauds are in Spain. Indeed, the adulteration of cooking oils is by no means the only problem. A survey carried out by the municipal authorities of Barcelona in October, and based on an analysis of 8,100 different food products, showed that one-third of them, covering bread, butter, milk, wine, cheese, meat, fish and tinned foods, were either adulterated or did not fulfil official health requirements.

The drought is having a direct impact on production and food supplies. It is the principal reason behind the big 7.6 per cent decline in overall agricultural output this year, and the reason why for the first year in three years agricultural output as a contribution to GNP has declined by 0.6 per cent.

This year, for the first time in more than a decade, food prices are expected to increase by an annual rate of between 13 to 14 per cent, keeping pace with the rate of inflation. In fact, food prices will almost cretainly push the general price index up this year to 14 per cent where traditionally they help to keep the consumer price index down.

The biggest impact of the drought has been on wheat production, down 43 per cent compared with 1980; barley, down 45 per cent; and sunflowers, down 37 per cent. Nonetheless, as 1980 was a record year in cereal production, these declines are less dramatic when compared with the average harvests during 1973-77.

In livestock farming, the other sector most seriously affected, with the absence of rain and, therefore, available pasture land, farmers have had to buy animal feeds—forcing the Government to increase imports of maize and soya. By November, imports of maize were over 4m tonnes compared with 3m in the first 10 months of 1980 and imports of soya were almost 4.5m tonnes compared with 2m for the same period last year.

AGRICULTURAL EXPORTS
(000s tonnes)

	1980	1981
Tomatoes	229	204
Oranges	698	459
Mandarines	373	242
Lemons	95	99
Almonds	6	7
Melons	3	5
Peppers	7	6
Rice	33	61
Olive oil	72	39
Soya oil	159	186
Wines	203	218
of which:		
Sherry	68	34
Rioja	11	12

Source: Ministry of Agriculture.

To alleviate the effects of the drought the Government has spent Pta 39bn in special credits, a total of 100,000 tonnes of animal feeds has been distributed; agricultural subsidies have greatly increased, and farmers in Andalucia, Extremadura and Castille have been granted a moratorium on tax payments and social security contributions for 1981. More emergency measures probably will have to be introduced soon, especially to maintain water supplies.

Ignored

Against this background the more persistent problems of Spanish agriculture, of which the most serious is land tenure and farm unemployment in southern Andalucia, have been largely ignored, even though there are signs that these problems are deteriorating.

In a similar way a law approved by Parliament in 1979 that permitted the expropriation of estates in Andalucia and Extermadura where the land was found to be under-utilised, is now at a standstill. The Ministry of Agriculture has 2,000 cases of expropriation under consideration. But a senior official emphasises that the Government has to move very carefully on this issue. "After all," he says, "land reform was one of the causes of Spain's civil war."

Paralysis is also the word that now characterises Spain's vital agricultural negotiations with the EEC. For the second year running these negotiations have again been postponed in the absence of an agreement between the 10 actual EEC member countries on a reform of the Community's agricultural policy.

A basic contradiction also continues to be apparent: if Spain really makes her agriculture productive, then this development is almost certain to be opposed by EEC countries such as France and Italy, whose farmers fear the increased competition of Spain's fruit, vegetables and wine implied by Spanish entry.

However, the Government has pressed ahead with two plans in preparation for EEC entry. The first seeks to modernise dairy farming which is concentrated in the north-west, and turns on granting special credits to farmers to encourage them to form co-operatives and mechanise production. At the moment the average size of Spain's dairy farms along the Cantabrian coast are unproductive, with just four or five cows per farm.

Second, the Government has announced investments amounting to Pta 11.5bn to reform the olive sector between 1981-85. Under this reform a total of 250,000 hectares of land now grown to olives is to be cut back and used for other crops.

Jane Monahan

Slow rate of reform

CONTINUED FROM PREVIOUS PAGE

level of efficiency are contemplated in the current legislature which is due to end by spring 1983.

Dismissing the present reforms of being excessively limited and timed, Sr Francisco Ramos of the Socialist Party claims that the most important failing of the administration, namely its top-heavy centralism, remains untouched. "The problem is not that the bureaucracy is too large; it is that it is badly distributed," he said.

With just under 1.5m employed by the civil service, a figure which represents nearly one out of 10 Spaniards actively employed, the administration is smaller than in other Western European nations. This figure includes just over 400,000 uniformed and civilians attached to the armed forces.

Sr Ramos' point is borne out by comparing the percentage employed in local government against those attached to the central administration. In the UK, according to the figures provided by the Secretariat of State for the Civil Service, 43 per cent are attached to the central administration against 57 per cent in local government.

In highly-centralised France, the figures are 73 per cent against 27 per cent in local government. In Spain, the imbalance is the highest in Western Europe: 81 per cent are attached to the central administration against 19 per cent in local government.

A typical consequence is that housing inspectors are all grouped in their appropriate corps at the Madrid ministries and are hard to find in town councils where they are needed. Such shortcomings are the norm in the civil service, according to the Socialist Party, which controls the majority or middle to large councils.

Sr Crespo, accepting such criticisms and stressing the enormity of the reforming task, said an indicator of the low priority hitherto given by the Government to the civil service in general was that it had taken nearly a year for the executive to name a successor to the outgoing president of the National Civil Service School of Alcala de Henares outside Madrid.

The post fell vacant in the winter of 1980 when its occupant was put in charge of the official state gazette. The vacancy apparently went unnoticed until Sr Matias Rodriguez Inciarte took office as Minister in charge of the Presidency with responsibility for the administration last September.

The civil service school at Alcala de Henares was created in the early 1960s and was consciously modelled on France's Ecole National d'Administration to promote efficiency and professionalism in the service.

Tom Burns

The Regions

Devolution programme being overhauled

IN 1979, Spain embarked on the most ambitious programme of devolution in Europe since the establishment of the German Federal Republic 30 years earlier. Since the February 23 abortive coup, however, the government of Sr Leopoldo Calvo Sotelo—under the implicit tutelage of the military hierarchy and with the backing of the Socialists, Spain's main opposition party—is attempting to slide this process into reverse.

The two major Spanish parties, the ruling Union de Centro Democratico (UCD) and the Socialists (PSOE), aware that military fears that the home-rule process was leading Spain towards de facto federalism, had contributed notably to the disaffection in the armed forces that led to the coup attempt in February, have given priority over the last nine months to cleaning up the devolutionary mess inherited from the outgoing administration of Sr Adolfo Suarez.

Sr Suarez, who resigned the premiership shortly before the atempted coup, had sold devolution to the military under the cover of a long-overdue administrative decentralisation. At one level, devolution was offered to all of Spain's 17 component regions and "historic nationalities." This was to prove that nothing was being given to the Basques and Catalans—the real source of the problem—which was not also being offered, say, to the Balearic and Canary islanders, always assuming they wanted it.

The central Government reserved to itself the exclusive right to conduct foreign, defence, and monetary policy, sole responsibility for the state police forces and criminal law, and control over the customs regime, strategic industry and infrastructure. Everything else, the theory went, was negotiable.

At the same time, agreements were negotiated with the Basques and Catalans which were in essence political pacts. The Government used as its basic text the constitution endorsed by referendum (except in the Basque Country, which rejected it) in December 1978 while the Basques and Catalans negotiated on the basis of draft statutes of autonomy drawn up by the major regional parties concerned.

In other words, the success of the process was to a large degree dependent on the political goodwill of both sides, and it was on this basis that the statutes were sold to the Basque and Catalan electorates, which endorsed them in referenda in October 1979 and elected parliaments to implement them in March 1980.

The joint UCD-PSOE strategy, which, particularly in the wake of the abortive coup, shows a marked absence of such good will, is to enforce a restrictive legal interpretation of the statutes.

Earlier this year, the UCD and PSOE reached a bilateral agreement—without consulting the two other major parties or the regional governments—on the need to "harmonise" the devolution process. A "harmonisation" law, the LOAPA, was put together, and is due before parliament early in the new year.

The LOAPA tightly restricts the legislative power of the Basque and Catalan parliaments, whose laws, though always intended to be subject to constitutional provisos, would be more directly subject to laws passed in the Madrid parliament. The law would also severely limit, in potential at least, the jurisdiction of the regional executives. In particular the LOAPA practically does away with the concept of "exclusive jurisdiction" which both Basques and Catalans regard as critical to their own "national reconstruction."

Furthermore, the financial underpinning of the venture is likely to be severely eroded. The Basques and Catalans have different fiscal systems, both of which have pitfalls in the absence of central government good will. The Basques collect all taxes and then hand over a fixed amount to be agreed with Madrid, and reviewed by Parliament every two years. This amount, the "cupo" as it is called, covers the Basque contribution to state expenditure.

After prolonged negotiation, the Catalans ended up with a mixed fiscal system, similar to the West German federal model, which combines a share in centrally collected taxes and local levies. They fix that portion of their income which comes from the national budget once and for all and this automatically rises in line with government spending.

The Basques, with cash in hand, have a head start. Though a mutually satisfactory renegotiation of the "cupo" will naturally depend on the prevailing political climate, the Basques took the precaution of insisting on a provision in the "Ley de Conciertos" (the law governing the re-introduction of this historic fiscal formula) that if there is a breakdown in negotiations, the amount to be handed over remains the previously agreed amount.

This amount is now some Pta 41bn, and the Government is seeking to raise it to Pta 78bn, and has in fact written the higher figure into the budget currently before parliament, making negotiation difficult.

According to figures from the Ministry of Territorial Administration, up to the end of September, some Pta 190bn and 95,000 civil servants had been handed over to the autonomous governments. Pta 160bn of this was to the Catalan Generalitat—Pta 148bn of it to cover health and education, and pay the wages of 62,000 health service employees and teachers. The Basques have had Pta 27.5bn handed over to them, essentially to cover running costs until their own fiscal system is fully operative.

Though there is little over from current expenditure for badly-needed new investment, there are three new instruments available to cater for regional development. The most important is the Interterritorial Compensation Fund (FCI), worth Pta 180bn and designed to shift resources towards the poorer regions—one of the reasons why the relatively rich Basques and Catalans will have to make do with less. Over 35 per cent of this will go to Andalusia (Pta 47.6bn) and Extremadura (Pta 16.2bn), the most depressed areas in Spain.

A second and highly innovative instrument is effectively a tax on electricity "imports" from region to region. A majority of Spain's installed generating capacity is in economically depressed regions. Aragon and Extremadura, for example, because of the hydro resources of the former and nuclear sites planned for both, will by 1985 be producing 27 per cent of national energy needs, but will be consuming less than 5 per cent. They will now get Pta 500 per kilowatt/hour installed on the balance.

Control

A third new instrument is the right to issue locally underwritten public debt. This month, the Basques have issued Pta 5.25bn and the Catalans Pta 10bn in public debt, at slightly more favourable terms than national public debt issues, and underwritten by local savings banks. Both Basques and Catalans in addition have a qualified right to direct some savings bank investment. This is particularly important in the Catalan case, where the savings banks control some $13.5bn, equivalent to 10 per cent of all savings in the Spanish banking system.

These instruments are, however, subsidiary, and cannot of themselves alter the overall political context of devolution, in which the trend is towards real cutbacks in autonomous power.

The Government has taken the Basque and Catalan governments three times each to the Constitutional Tribunal, and there have been eight jurisdictional disputes in the Catalan case and seven in the Basque case. Madrid has won all the cases so far resolved except one minor case concerning a Catalan public transport strike.

Furthermore, most of the powers enjoyed by the regional executives were handed over in the September-December period last year. Since then, there has been virtually no movement at all. The Catalans and Basques both believe that this is part of the strategy to dilute devolution that is to be carried to its logical conclusion with the LOAPA.

The reaction of the two regions, hostile in both cases, is nevertheless interestingly different. The Basques called a demonstration of over 100,000 people against the LOAPA on October 25. The Catalan government has made formal protests, and now plans public meetings explaining the threat presented by the law throughout Catalonia.

The conservative Basque Nationalist Party (PNV), which runs the Basque government, has two radical nationalist coalitions to deal with, which between them command a third of the Basque vote and have behind them the threat of both wings of ETA, the Basque guerrilla movement.

The more moderate Euskadiko Ezkerra (Basque Left), is in the process of fusing with the majority of the Basque Communist Party and has formally renounced insurrection and pledged itself to defend the constitution—a real plus for stability in a situation which is growing increasingly volatile. The politico-military wing of ETA, with which it has traditionally maintained relations, has observed a ceasefire since shortly after the coup. This wing of ETA backed home-rule rather than independence at a decisive moment, but is unlikely to remain impassive if the process of diluting devolution is carried much further.

Herri Batasuna (Popular Unity), the more radical coalition, which is under the direct tutelage of ETA's military wing, can be relied upon to produce a more vigorous response—particularly since it has been at the sharp edge of the current anti-terrorist offensive. Since the attempted coup, some 235 arrests of alleged ETA suspects and collaborators have been made and ETA activity has tailed off markedly, while its intelligence network is increasingly inefficient.

But the rightward drift in Madrid has galvanised Herri Batasuna into attempting to close its chaotic ranks, mobilising its foot-soldiers against what at the moment is being described as the need for "civil resistance."

In partial recognition of the specific needs of the Basque situation, the central government has allowed plans for a Basque autonomous police force to go ahead, after long wrangles about the technicalities and financing of the initiative. The Basque police academy, initially training 700 men, in a scheme which may turn out up to a total of 6,000 men, is due to open on December 20 and to start work on January 2. Madrid also permitted the Basques to train their own bodyguards—in a training programme run by a British security firm at Berroci near Vitoria.

From Madrid, the Catalans appear as models of civic responsibility in comparison to the troublesome Basques. Pressure to resist cutbacks in home-rule is however building up, despite the low profile tactics of the major parties. In mid-year, a mass rally of over 80,000 people was held in Barcelona football club's stadium, drawn by the slogan "som una nacio" ("we are a nation").

Both the two major national parties, at the back of their minds, are concerned to avoid a situation whereby neither of them can command a parliamentary majority because of the proportion of seats taken by the regional and nationalist parties, to which they would then be beholden. Both parties are likely to have to pay a price for this attitude at the next general election, in addition to the price they paid at the last—some 26 seats.

More generally, since the coup attempt, an influential trend of opinion has developed which believes that the consolidation of democracy and the devolution of powers to the regions are irreconcilable aims. In the regions, this thesis is stood on its head: there is no democracy possible without regional democracy, which means real home rule.

David Gardner

PROGRESS OF AUTONOMY IN THE REGIONS

HISTORIC REGIONS

(Autonomy granted under Article 151 of the Constitution, which allows greater discretion for transfers of power)

Catalonia	Referendum endorsing autonomy statutes October 25 1979, parliamentary elections March 20 1980. Government run by conservative nationalist CIU, Jordi Pujol.
Galicia	Referendum endorsing autonomy December 21 1980, parliamentary elections October 20 1981. Government run by Right-wing AP.
Basque Country (Euskadi)	Referendum endorsing autonomy October 25 1979, parliamentary elections March 10 1980. Government run by conservative nationalist PNV.
Andalucia	Referendum on whether to opt for autonomy under Article 151 February 28 1980, referendum to endorse autonomy statute October 20 1981. Elections to be held next spring.
Navarre	Enjoyed considerable autonomy under Franco, including special fiscal status. Unresolved whether Navarre remains separate or is incorporated with the Basque Country.

REGIONS WAITING TO OBTAIN AUTONOMY

(Via Article 143 of the Constitution following government and Socialist pact in September 1981)

Aragon	Statute drafted, still to be amended.
Asturias	Statutes drafted, pending debate in Congress Commission.
Baleares	Statutes yet to be drafted following opposition by some town councils in Ibiza and Formentera.
Canaries	Statutes drafted, pending debate by Congress Commission.
Cantabria (Santander)	Statutes drafted, pending debate by Congress Commission.
Castille—La Mancha	Statutes drafted pending debate by Congress Commission. Includes the provinces of: Cuenca, Ciudad Real, Albacete, Toledo.
Castilla—Leon	Statutes in process of draft. Includes provinces of: Burgos, Soria, Avila, Valladolid, Palencia, Leon, Zamora, Salamanca.
Extremadura	Statutes in process of draft.
Murcia	Statutes drafted, pending Congress Commission debate.
Rioja	Statutes drafted, pending Congress Commission debate.
Valencia	Statutes in process of draft.

ANOMALIES TO BE RESOLVED

Guadalajara	Undecided with which region to federate.
Segovia	Undecided with which region to federate.
Ceuta/Melilla	North African enclaves with special economic status.
Madrid	Seeking one province autonomy.

Culture

Horizons widening

STATISTICS SHOW a greater demand for books, theatre, music, films and exhibitions in Spain, which suggests a cultural revival is now beginning, four years after the first democratic elections. It reflects a deliberate effort by the authorities, greater contact with foreigners and, one suspects, the increasing penetration of European ideas and customs. Despite this, the national level of culture is low by EEC standards.

On the side of progress in 1980 there was a huge 300 per cent increase on 1979 in the publishing and sale of children's books, indicating that Spain's future generations will read much more than the 36 per cent of the adult population that now regularly reads books. Theatre attendance in Madrid also went up in 1980 and over 3m Spaniards visited museums.

Judging by the queues, there are many more opera and classical music buffs than the one opera house and one concert house in Madrid can accommodate.

In the case of the Zarzuela Theatre in Madrid, which has traditionally specialised in operettas, the Government has been forced, because of demand, to reintroduce a practice that existed during the Second Republic. For three nights a week opera tickets are now heavily subsidised. On one of these nights, all the seats are reserved for people living outside Madrid.

In the past few years private foundations like the Juan March Foundation, have been easily superseded by the Ministry of Culture in putting on large exhibitions which are now up to European standards. A retrospective of Henry Moore in Madrid's Retiro Park this summer was said by art critics to be as good as any British exhibition of this sculptor.

This year most of the Ministry of Culture's time was taken up planning Picasso exhibitions to coincide with the 100th anniversary of the artist's birth on October 25.

Next year there are going to be major exhibitions on the work of Salvador Dali and on the Spanish Inquisition.

The number of people who go to operas and theatres is infinitesmal compared with the number who regularly watch television and go to the cinema. Last year a total of 175m cinema tickets were sold, more than the number of seats sold at football stadiums or bullrings. Roughly three-quarters of the films Spaniards now see are foreign films.

The way in which Spaniards react to some of these is a sociological experience. For a deeply conservative and Catholic country like Spain the tremendous success of the film "The Life of Brian" is notable. The film has been running for six months and is still going strong.

Jane Monahan

Tourism

Popularity of Spain remains high

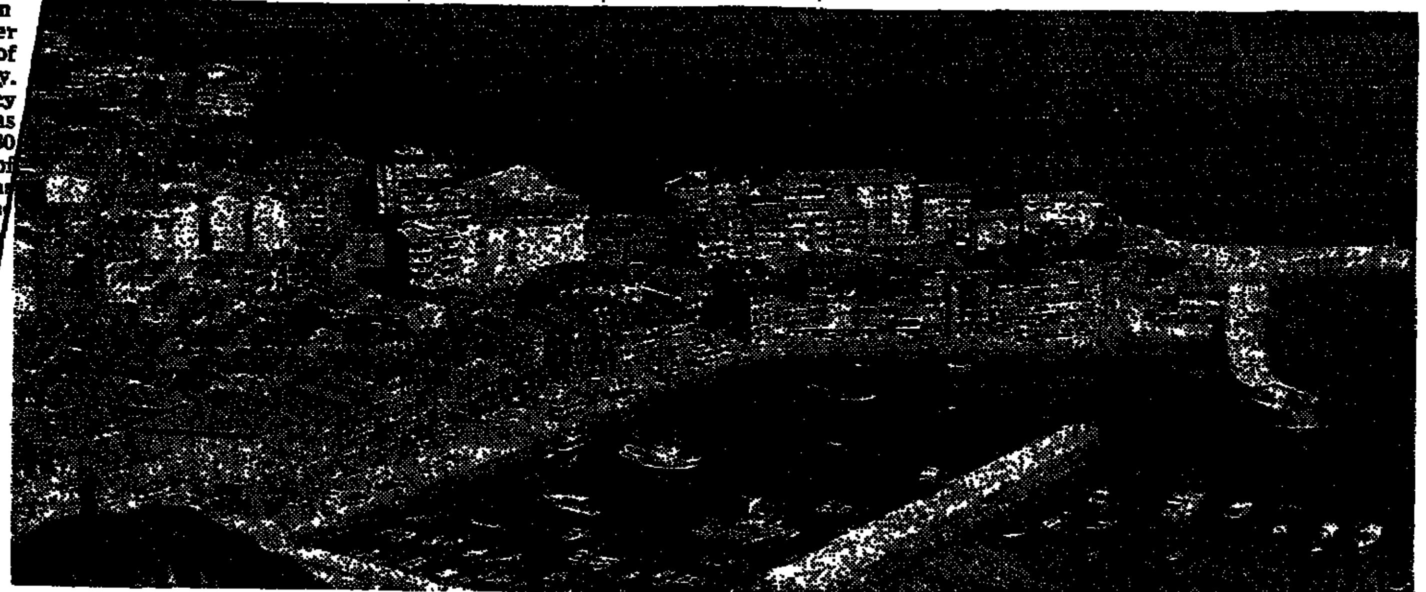
THIS YEAR may go down in Spain's history as the best ever in terms of the number of tourists to visit the country. Even so, foreign currency income from tourism has declined compared with 1980 and the large numbers of Portuguese registered as tourists suggests that the figures continue to be inflated.

From January to Octob[er] this year 8m Portuguese we[re] listed as tourists, or roughly [...] per cent of all tourists. [...] many of these people w[...] simply passing through Sp[ain] on their way to France to [...] seasonal employment, and [the] same applies to Moroccans [of] which 1.4m were registere[d in] the first ten months.

However, as large numbe[rs] of Portuguese and Moro[ccans] were included in pr[evio]us statistics, the compa[rati]ve figures for 1981 are still [hi]gh: 36m between Janua[ry] to October representing a [...] per cent increase on the [s]ame period in 1980 and an i[mpro]vement on the number of [tou]rists from January to Oct[ober] in 1978 which was a recor[d y]ear.

During the present [year] one feature has been the [up]-and-down movement o[f t]ourist arrivals. The year s[tart]ed off badly with declines [of] 6 per cent in January, 8 p[er c]ent in February and 12.4 p[er c]ent in March compared wit[h th]e same months in 1980. In [the] second quarter there was [an i]mprovement with increase[s av]eraging 5 per cent. In [Ju]ly the number of arrivals [ju]mped 11 per cent.

August figures [were] stationary, then in Se[ptem]ber and October, there we[re th]e biggest increases of 16 an[d ...] per cent respectively. Offi[cial]s expect that by the end [of] 1981 the number of touris[ts w]ill exceed 40m.



Lekeitio, a small fishing village in the north, is off the tourist trail in a part of Spain unfamiliar to many holidaymakers.

The single most important reason for the increase in the number of tourists has been the cheapness of holidaying in Spain compared with other Mediterranean countries. Hotel prices went up on average 15 per cent this year, and food prices increased by about 13 per cent. But these rises were lower than those registered in Italy and Yugoslavia, for instance.

Another incentive has been the sharp depreciation of the peseta in relation to the dollar. The peseta declined by 2.5 per cent a month between September 1980 and September this year, and tourists using British currency benefited in a similar way. The peseta depreciated by 11.9 per cent in relation to sterling from June 1980 to June 1981.

Third, there have been no psychological factors to put off tourists, such as the bombing campaign of the Basque separatist organisation ETA, against seaside resorts in 1979 and 1980. There have also been no strikes in hotels or restaurants, and one official says: "Incredibly, the cooking oil scandal has not affected tourism." This is because the full scope of Spain's cooking oil fraud was not reported in the international Press until long after most tourists had made their reservations.

Effort

Fourth, it is worth recalling that Spain has a bigger hotel capacity than many of its competing countries. In Europe, with more hotel rooms in Benidom on the Costa Brava alone than all the hotel rooms registered in Yugoslavia or Tunisia. However, roughly 60 per cent of the tourists who come to Spain now stay at places other than hotels, chiefly in apartments and pensions.

Finally, a big effort was made by the authorities this year to promote tourism, with the budget going up 40 per cent in this respect compared with 1980. Also, a four-year plan aimed at improving the quality of what is being offered began to be applied. According to this plan, a total of Pts 32bn is to be spent on developing Spain's tourist infrastructure between 1981-1985 and credits totalling Pts 4bn are being offered to hotel owners to encourage them to modernise their premises.

Tourist receipts in the first nine months of 1981 amounted to $5bn. This represents a decline of 5 per cent compared with earnings of $5.4bn in January-September 1980. However, there will be a positive balance at the end of this year as the number of Spaniards who went abroad declined 21 per cent from January to October and they spent $743m abroad as against $938m in the first ten months of 1980. In fact, so far this year 3m fewer Spaniards have gone abroad than last year.

Most Spaniards who travelled abroad left in August and went by car. In contrast the main variations in the forms of transport used by tourists coming to Spain was in the numbers travelling by rail and by sea, up 10 per cent and 11 per cent respectively between January-October 1981 over the same period in 1980. There was also an 8 per cent increase in the numbers of visitors coming by air this year. But still 22.8m tourists came by road, of which more than 9m were French tourists.

Meanwhile, the importance of tourism for the national economy is reflected by the fact that in 1980 tourism employed 8.7 per cent of the active population in Spain, and tourist receipts were equivalent to 36 per cent of the value of all Spanish exports and to 21 per cent of the value of all imports.

Jane Monahan

Higher Education

Uncertainty about changes

ONE OF the [mo]st controversial items in Spanish Parliament over [the] past two years has concerne[d r]eform of the universities. [Non]e of the political parties [cont]ests the basic need for re[form] or modernisation.

Reform [of th]e universities, however, t[ouche]s on the delicate quest[ion] of private—and more part[icular]ly Church—influence in [and] control over education. [Any] move to reduce the influe[nce o]f the Church in education, [whi]ch such reforms threaten, [rais]es the opposition of the [cons]ervative Catholic elements [with]in the ruling Union d[e Cen]tro Democratico (UCD).

As a [...] it has been disagreeme[nt] within the UCD which h[as co]nsistently delayed any pro[...] It is now unlikely that a[n a]greement will be reached [duri]ng the term of the present [legi]slature, so leaving the un[iversi]ties in a state of continu[ed un]certainty at a time when [Spain c]an least afford it.

The [...] of Spain's universities is of growing concern—and not merely to educationalists. With close on 700,000 students in higher education, Spain is second only to Denmark in Europe in having the highest per capita ratio of students. It has the lowest teacher-student ratio, however, and is well below the European average in terms of expenditure.

Sr Francisco Bustelo, Rector of Madrid Complutense University, the nation's largest, pointed out recently that Spanish per capita income was roughly 60 per cent of the European Community average, whereas expenditure on university education was less than a quarter of that spent by the EEC. Latest estimates indicate that the Spanish Government spends some Pts 100,000 a year per student, against a median of Pts 300,000 equivalent in the EEC.

This student population has been allowed to increase without any systematic strategy. The educational system has been turning out more and more people with the minimum basic requirements for higher education. The universities have simply responded to this increase by greater admission. Facilities and staff have not been correspondingly boosted to accommodate the expansion.

At Madrid's Complutense the ratio of students to full-time teachers is about 100 to 1—100,000 students to 1,000 full-time staff. University lecturers argue that there is no way that quality can be sustained in such circumstances and students for their part suffer a sense of alienation at being so distanced from a proper tutorial environment.

The increase in students has completely overwhelmed some faculties — especially medicine and law. The better students manage to squeeze into these already overcrowded faculties while the less able students have to make do with less glamorous subjects, hoping that they can change at a later date.

Not surprisingly, general academic levels are low—too low in relation to Spain's economic aspirations. One candid academic reckoned that 20 per cent of the students were good, 20 per cent poor and the remaining 60 per cent had standards below the minimum European levels. Academics are also concerned at the apparent lack of student vigour on the campuses.

Political affiliation among students is very low and most students are apathetic. This compares with the vitality of the late 1960s and early 1970s when the universities were a principal source of anti-Franco activity. There is little evidence, moreover, of social mobility in the student population, comprised essentially of the urban middle classes. No more than 8 per cent of students are said to come from working class families.

One of the first aspects of reform concerns numbers. Academics recognise that the numbers have grown so large and unmanageable that either there has to be a massive increase in funding for better facilities all round or a move towards selectivity.

Since the Government is unlikely to be able to afford massive new funding, there probably has to be a mix of raised expenditure and selectivity. (Incidentally 40 per cent of the country's total student population is to be found in Madrid's three universities.)

Combined with the idea of controlling numbers is recognition of the need for better technical colleges and professional institutes. In the absence of such institutions many of those not really up to university standard feel obliged to try and join the university system as the sole means of advancement.

A second question concerns organisation. The universities are currently run under old Francoist laws and are an integral part of the state bureaucracy, beholden to the Ministry of Education. The full-time staff are bureaucrats and the acquisition of the various hierarchical posts is conducted in highly bureaucratic fashion. Since entry into this hierarchy is jealously guarded—and conditioned by the budget—there are insufficient full-time staff.

Of the 34,000 university teaching staff, only 14,000 are on the Ministry of Education payroll as full-time staff. The rest are contract employees with no great job security. One of the most urgent measures needed is to regularise the position of these contract employees, albeit with longer term tenure.

A third problem concerns the poor pay of university staff. Low salaries encourage teachers to seek other jobs on the side—or even quite openly. Indeed many are willing to enrol themselves in the university hierarchy to use it as a platform for extra-university professional careers. This of course widens the already considerable divide between staff and students.

The politicians have accepted that the broad answer to all these problems lies in distancing the universities from the bureaucracy and in making them more autonomous. This was recognised in the 1978 constitution. Article 27, Section 10 states categorically: "The autonomy of the universities is recognised, under terms to be laid down by the law."

Last December such a law was ready to be submitted to Parliament but the Calvo Sotelo Government subsequently withdrew it and once again the autonomy law is in the melting pot. Important issues, such as autonomy in appointments, are not disputed. Under the previous regime appointments were political, a system which resulted in a hard core of Right-wingers and conservatives in key academic posts. Although a rearguard remains, politically the complexion of the staff has evolved. This trend is personalised in the figure of Sr Bustelo, a prominent Socialist on the Left wing of his party, appointed a year ago to head the Complutense.

But the sticking point to reform is over those universities and educational institutes run either directly or indirectly by the Catholic Church (the best known being Deusto in the Basque country and the University of Navarre in Pamplona run by Opus Dei). The conservative element within UCD is afraid that by giving universities autonomy and having a transparent system of grants, the private universities will lose part, if not all, of their existing subsidies.

These private institutes have earned a reputation for having far higher academic standards. Not only are the teachers more dedicated; the ratio per student is much lower. The conservatives argue that to cut or reduce subsidies would result in a lowering of standards, something which Spain can ill afford. They also firmly believe that in a Catholic country like Spain, the Church has every right to continue to influence education.

Their opponents, however, believe that state education has been ignored for too long and that far greater co-ordination is needed if standards are to be raised and Spain to come closer to the European norm.

Robert Graham

Social Change

Huge backlog of cases for divorce

ON JUNE 22 this year after 17 months of delays, Spain's second divorce law this century was finally given parliamentary approval. The need for such a law was evident. There was a backlog of over 500,000 cases of people who wanted either a separation or a divorce under the terms of the new law. To cope with this demand Parliament agreed to set up 30 special family courts that began operating in October.

One source of uncertainty, however, is whether the Spanish judiciary will apply the law impartially. Spain's judiciary is still staffed by judges who were appointed during Gen Franco's regime and in the absence of a reform the judiciary is becoming increasingly controversial.

Justice remains antiquated in its methods and slow in execution. Two-thousand prisoners in Barcelona and 2,250 more in other Spanish prisons staged hunger strikes in September in protest against the way they were being kept in preventive detention for months or even years before their cases come up for trial. In 1980 out of total 22,000 prisoners, 12,000 were in preventative detention. Part of the problem has nothing to do with the understaffing and ineffciency of Spanish courts. It is simply that the practice of letting out prisoners on parole in Spain is rare.

A more disturbing development is the way in which the courts are continuing to clash with the Press, a striking example in November being the seven years' sentence in prison given to a Catalan journalist, Javier Vinader, on charges of "professional negligence." Sr Vinader had written two articles for a best-selling glossy magazine, Intervieu, on the activities of an extreme Right-wing organisation in the Basque country. The judge held that Sr Vinader was "indirectly" responsible for the death of two members of the organisation who were killed by the militant Basque guerrilla separatist organisation, ETA, after the articles appeared.

A high-handed approach towards the media was demonstrated by Leopoldo Calvo Sotelo, the Prime Minister, when he sacked Fernando Castedo, the director-general of the state-owned television in October. This interference made a mockery of a reform approved in Parliament last year, according to which the four-year term of the director of Spanish television could only be ended without the approval of a multi-party board of governors if the director resigned voluntarily.

The one-step-forward, one-step-back atmosphere of Spanish democracy has become more apparent since the aborted coup of last February 23. Reforms of the judiciary, education and health that were previously being considered in parliament are now not mentioned at all.

Friends

Indeed, according to a survey carried out by the liberal El Pais newspaper and based on over 1,000 interviews there is little that Parliament now discusses that concerns ordinary Spaniards. In order of priority, the survey showed that Spaniards are more preoccupied about unemployment (46 per cent of those interviewed), the economic crisis (16 per cent) and food frauds following the cooking oil scandal (12 per cent), than they are about Spain's political situation (10 per cent), terrorism (6 per cent) and Spain's entry into Nato (3 per cent).

Changes are being brought about in spite of the administrative paralysis. A real effort is now being made for the first time in preventive medicine, health education, family planning and psychiatry, not by the Ministry of Health but by the more enlightened municipal authorities. In the province of Madrid the town hall has established 18 family planning centres since 1979 but most of these are operating on a voluntary basis and without public funds.

In contrast, the Ministry of Interior carried out the only study on drug addiction among young people, which is becoming a serious urban problem. The initiative came from a group of policemen, sociologists, university professors and doctors. The findings are being passed to relevant ministries.

The survey on drug addiction, based on interviews with 7.6 per cent of schoolchildren between the ages of 11 to 16 in state, private and religious schools in 31 districts of Madrid, has come up with some alarming conclusions. Ten out of every 100 schoolchildren aged 13 in Madrid have taken one drug or another, and at the age of 15, 30 out of every 100 children have taken drugs. A more dangerous statistic, because it suggests an indiscriminate use of drugs, is that 22 per cent of those who take drugs were fund to take three or more varieties, and one out of every 100 drug takers had injected drugs.

The survey revealed that pill-popping is most common among younger children, a habit that is apparently facilitated by the vast quantities of pills kept in family medicine cabinets, while

The survey concluded that the increase in drugtaking among young people reflects less rebelliousness or a desire for introspection so much as a growing tendency to treat drugs as a consumer product.

The problems of delinquency in Spain are still relatively new and on a smaller scale than in most other Western societies. Indeed crime of all kinds is being brought under control. This year, between January and March, there was a 35 per cent decline in the crime rate compared with the same three months in 1979. There were also fewer acts of political violence and fewer strikes this year in Spain in the last year of Gen. Franco's government in 1975.

Even last year, when violence of all kinds was considered high, the total number killed in homicides and in acts of terrorism was 872. This is equivalent to the annual crime rate of just one or two districts now in a large American city.

Jane Monahan

Trevor Humphries

Lottery tickets litter the floor of a Marbella bar. With unemployment rising many Spaniards dream of winning the Gordo (Fat One) — the big Christmas lottery. Sometimes a whole village is made wealthy by a win

World Cup

Football fever arrives early

JOAN MIRO had never been asked before to produce a football poster. It is questionable whether the average fan will be quite sure which way to hang it but the men who commissioned it from the painter are pleased as punch about the finished work.

"Somehow it suggests the idea of a well ordered ballet in which bright colours remind us of the joys of the game," gushes the Royal Spanish Organising Committee for the 1982 World Cup.

It is a far cry perhaps from the violence on the terraces on a cold and drizzly afternoon but next year's World Cup will certainly be the most spectacular ever. It will also be the biggest with 24 teams in the final round.

It starts under way in Barcelona at 6pm on June 13 with an expected 1.3bn people tuning in to the opening ceremony. This will be a Pta 7.7m extravaganza itself. Apart from 1m flowers 10,000 balloons and 5,000 pigeons, the 4,500 participants in the ceremony are supposed to draw close together at the end of the jamboree to form Picasso's "Dove of Peace."

Following this the World Cup holders, Argentina, kick off the opening match. Fifty-two games and 29 days later the show winds up on July 11 with the final game at Madrid's Santiago Bernabeu stadium.

If the Spanish World Cup organisers are ecstatic about their "Best Show on Earth" it's because they have been carefully planning it since England beat West Germany at Wembley 1966—and because since 1978 when Argentina beat Italy, they have thought of nothing else.

Events in World Cup organising moved quickly and by February West-Nally had landed a Pta 36m contract with FIFA for static publicity in Spain's 82 World Cup stadiums and for television and radio rights in French and English for the U.S. and Canada. Television and radio rights for everywhere else were agreed with A the following month for S 39m.

By early 1981 Spain itself was beginning to really mint its own special image—a first issue of 1.7bn World Cup coins began to be distributed with a value of Pta 1bn showing variations of footballs and World Cup emblems on the reverse side.

Priority

The Spanish Organising Committee made it a priority that they should avoid drawing on the Administration's official budgets. So far thanks to two special lottery issues and to a percentage taken from the national football pools last season and the present one, they have not had to do so.

Confident of balanced books at the end of it all, organisers have created Mundial '82 to deal with all merchandise from T-shirts to luxury leather goods that bear the official World Cup emblem. The promotion and marketing of travel and accommodation for the great event has been put into the hands of a consortium of Spanish travel and hotel companies called Mundiespana '82.

Nothing appears left to chance in what amounts to the great shop window for Spain.

As hoteliers refurbish their premises, and their prices, the mayor of Madrid has organised a competition among restaurateurs to improve the quality and the capital's bullfight impresario is contracting bulls and matadors for a series of extraordinary corridas to attract the attention of football fans.

Just about everybody is in on the deal. The state-owned Pegaso truck company landed the contract to provide the luxury buses that will transport the 24 teams between the 14 venues and the 17 stadiums where the matches will be played. The 32 reclining-seat luxury bus with a relaxation area for seven people incorporated complete with toilets, two televisions, hi-fi, and refrigerator won the gold medal award in the 1981 Nice Coach Week. The national airline Iberia is naturally exploiting its appointment as "official carrier" to the 1982 World Cup.

One worry, at least for the British Embassy and consular officials in Spain, is the prospect of coping with the hordes from the UK destined to land in their offices accused of disorderly behaviour and requiring repatriation funds. A "do and don't" statement issued by the consular office in London includes information such as: "Do remember too much cheap drink has the same effect as the expensive stuff, only quicker," and "don't try to run on to the football pitch at any time. This is forbidden in Spain."

Tom B

The Media

Courts get tougher on journalists

SHORTLY BEFORE Spain's last general elections in March, 1979, an indignant Barcelona voter rang a local newspaper and complained that two Dick Van Dyke films had been shown on television in the week before the general elections.

It wasn't that he objected to Dick Van Dyke, he explained, but that he regarded the strong physical resemblace of the American comedian to Adolfo Suarez — defending Prime Minister in that unequal tele-contest — as subliminal advertising on behalf of the governing Union de Centro Democratico (UCD).

The editor soothed this democratic watchdog by explaining that it was unlikely that Spanish Television (RTVE) employed personnel capable of recognising the utility of such a sophisticated technique, and suggested that he apply for the job of RTVE director-general.

In retrospect, this may have been a good idea, for any sort of democratic watchdog is to be cherished in a year which has seen three changes of director-general at RTVE for openly political reasons, and the ruling UCD's grip on the state radio and TV network tighten to a stranglehold: when two journalists have been jailed for seven and four years in the past month; and when there are still 400 prosecutions pending against more than 50 Spanish journalists.

The Press has always had a place of honour in the demonology of the Spanish Right. But it is surely breaking the bounds of democratic credibility for a court to hand down a sentence effectively equating a journalist's typewriter to a terrorist's machine-gun. This is what happened at the end of last month to Xavier Vinader, a 34-year-old Barcelona journalist, sentenced *to seven years with a Pta 20m* ($200,000) fine for "professional imprudence."

Sr Vinader, an authority on the labyrinthine interconnections of European fascism, wrote two articles in 1979 on the activities of extreme Right-wing hit-men in the Bilbao industrial suburb of Baracaldo. His sources were mainly in the police (his main police informant was subsequently kidnapped and shot), and not long after publication, ETA shot dead two of the alleged extreme Rightists named in the reports.

The extreme Right extracted revenge by bombing a bar frequented by Basque nationalists, killing four; burning newspaper kiosks all over the country which sold Interviu, the best-selling magazine which published the reports; and bombing Sr Vinader's house.

In passing sentence on Sr Vinader, the judge claimed to have established a "causal link" between the articles and the assassination of the two extreme Right-wingers. Leaving aside the legal and philosophical aspects of this claim—put succinctly by the Madrid weekly which asked: "Is somebody who exposes fraud responsible because the defrauded lynch the malefactor?"—the judgment is the thinnest of legal figleaves to cover a naked political act.

The names and activities of the two extreme Rightists were well-known in the area, having been published in Basque magazines and even debated by the local neighbourhood association. ETA could not therefore have been indebted to Sr Vinader's articles for the information, even if it may have judged the moment ripe because of the national airing the issue was getting.

Second, the choice of "professional imprudence" as the charge against Sr Vinader cannot but excite scorn in a country still in the throes of one of the biggest public health scandals of modern times — the adulterated cooking oil fiasco which has now claimed more than 200 lives—despite which the three Ministers most responsible have not seen fit to resign.

Exile

But why did the charges go ahead at all? Sr Vinader, in fear of his life had spent most of the last 15 months in Paris and London—"the first exile of democracy" as he has been called.

One of the reasons he returned to Spain to give himself up was that he understood that the case would be quietly dropped. But shortly after his return, the Justice Minister, the Social Democrat Francisco Fernandez Ordóñez, resigned in protest at the steady Rightward drift of the ruling UCD since the abortive February 23, coup, and Sr Vinader's and other cases were whisked out of the archives and dusted off.

The real case against Sr Vinader seems to be that most of his information came from the police, and that he was in possession of a large amount of information (most of it unpublished) linking the security forces with fascist commando units operating on both sides of the border separating the French and Spanish Basque country.

In Spain, it remains a serious offence to call into question the honour of the armed forces (which includes the para-military police) and the Royal Family, or to question the legitimacy of the monarchy or the unity of Spain.

Two days after Sr Vinader's trial, Sr Javier Sanchez Erauskin, editor of the radical Basque weekly, Punto y Hora de Euskal Herria, got four years for questioning the validity of the King's controversial visit to the Basque Country in February. On the same day, hearings started against Sr Ricardo Cid Cañaveral, a senior journalist and columnist on the Left-wing weekly La Calle, for a critical article on the judiciary. He faces three years internal exile, 200 kilometres from his home.

Spanish journalists were this year made entirely subject to civil jurisdiction, in line with the 1978 constitution. This was a long-overdue boon for many of the country's most distinguished journalists, who were facing courts-martial under military jurisdiction. Many journalists now believe, however, that the military are pressing the Government to make an example of a representative cross-section of journalists—obviating the need to proceed with all the 400-plus cases pending—in a bid to muzzle the Press.

The "law for the defence of democracy" voted in after the February coup is another clamp on free expression. Acquiesced in by the opposition, it gives the Government wide discretionary powers to close papers. It was thought that the law had two papers in its sights—Egin, the radical nationalist Basque daily used as a platform by ETA, and El Alcazar, the frankly fascist daily which has become a permanent focus of conspiracy for civilian and military plotters.

The law has been used against Diario 16, a liberal-conservative daily with a penchant for post-coup scoops, and Egin. But El Alcazar and similar publications have been allowed to feed their strident incitement to overthrow the democratic régime into garrisons all over the country unhindered.

The Government's grip on state television has meanwhile tightened, while legislation permitting private television — eagerly awaited by well-prepared, almost entirely conservative, interest groups—has been stalled by the power struggle inside the UCD. It was in fact the issue of private television, which the UCD Right wanted to introduce immediately by decree, which was one of the catalysts in the UCD crisis.

RTVE, the state broadcasting network, began the year promisingly. The former director-general, Sr Fernando Arias Salgado—brother of the then UCD secretary-general, Rafael Arias Salgado, and son of a former Franco Information Minister—was packed off as ambassador to the Court of St James, and a UCD liberal, Sr Fernando Castedo, replaced him. A breath of fresh air blew briefly through Prado del Rey, RTVE headquarters, but it was not to last.

By the late spring, the head of current affairs, Sr Iñaki Gabilondo, was sacked for allowing through a programme on unemployment in the depressed southern countryside, and censorship, never wholly absent, crept back, notably on the controversial issue of Spain's entry into Nato.

That was the beginning of the end. Their tail up, the Right went for the jugular and Sr Castedo was finally forced out in October. He was replaced by Sr Carlos Robles Picquer, another former senior Franco functionary, and the brother-in-law of Sr Manuel Fraga, leader of the Right-wing Popular Alliance that is trying to force the UCD into a grand Right-wing alliance—and yet another former Information Minister under the dictatorship.

Since then censorship has been barefaced and RTVE's best journalists have resigned in disgust.

Many of the old habits of the dictatorship are creeping back. Some newspapers, unable to comment openly, have gone back into the jungle of figurative subterfuge to which Franco confined them.

In another example, three week's ago the El Pais photographer in Bilbao, Alfredo Garcia Frances, was given a public beating by police in the city's main street while covering a labou demonstration; nothing similar had happened to him since 1976.

Another revived practice which perhaps best gives the measure of the freedom currently enjoyed by the Spanish media is the re-emergence of the old "export-re-import" system—by which a story is fed by a local paper to a foreign correspondent, published abroad, preferably in a prestige newspaper, and then re-imported on to the front pages of the Spanish paper, but attributed to the foreign paper.

This was a standard practice in the last years of Franco and early years of the monarchy, and in fact helped push the frontiers of free expression outwards. But after the trauma of the February coup, Spain is like a giant echo-chamber filled with the cross-currents of competing rumours. Rumour is now a major political weapon and such a system is obviously susceptible to manipulation.

There remain bright patches in the Spanish media, however, chief among them the stubbornly independent El Pais, now five years old. On the night of the coup El Pais gave a courageous lead by rushing out an emergency edition with an editorial in implacable defence of the constitution. Since then it has kept its readers well abreast of events, wrenching little nuggets of information from a tight-fisted government and security apparatus.

Foresight

No surprise then that yet another attempt is being made—by a group agitating for a grand coalition of the Spanish Right—to buy up a controlling stake in El Pais, or at least enough to get rid of its editor, Sr Juan Luis Cebrian. The founders of El Pais had the foresight to ensure that the company's equity was very widely spread, making such an exercise extremely difficult.

Another bright spot, remaining relatively unpolluted by censorship, is radio, which played a crucial role keeping people up to date on the long night of February 23. Private radio coexists alongside the state broadcasting network and has attracted competent and democratic journalists. There are already signs however, of fierce jockeying for control of at least two private radio networks.

As this survey goes to press, there is a strong possibility of major strike action, including the possibility of a general strike, by the Spanish Press, to protest against the latest gaol sentences. But more generally, the action will be against the sort of creeping authoritarianism which makes the bearer pay the penalty for the bad news he brings.

David Gardner

World ... Football fever arrives early

INDUSTRIAL TRAINING

Tebbit's risky initiative

By Alan Pike

ENGINEERING EMPLOYERS will meet Lord Scanlon, chairman of the Engineering Industry Training Board, and his senior colleagues today to discuss the future shape of training in the light of the Government's programme for reform announced yesterday.

If these talks—and subsequent meetings with trade union leaders—are dominated by the decision to "reduce" training allowances to around £15 a week and change the right of access of 16-year-old school leavers to supplementary benefit, the cause of reforming industrial training in Britain is in trouble. But if, after the initial furore over benefits, the focus of the debate is concentrated on other aspects of the package, yesterday's White Paper "A New Training Initiative: A Programme for Action" may yet prove a milestone in the quest to improve the nation's poor training performance.

The training allowances/supplementary benefit argument can be made to look either progressive or reactionary, depending on who is advancing it. That is where the Government's troubles begin because Mr Norman Tebbit, the Employment Secretary, is unlikely to be accorded any benefit of the doubt by union leaders.

Young people on the Youth Opportunities Programme—set up by the last Labour Government and subsequently much enlarged to counter the rapidly growing problem of youth unemployment — at present receive £23.50 a week, and this will rise to £25 in January. YOP schemes, however, last for a maximum of six months and one of the most persistent criticisms has been that too often they are of poor quality, with little or no training involved.

The Government's response, announced yesterday, has been to abolish YOP and replace it with a new Youth Training Scheme which will cover all unemployed minimum age school-leavers by September 1983. It is not intended that this will merely be YOP painted a different colour. It will, in the words of the White Paper, "aim to equip unemployed young people to adapt successfully to the demands of employment; to have a fuller appreciation of the world of industry, business and technology in which they will be working; and to develop basic and recognised skills which employers will require in the future."

The year-long scheme will attempt to achieve these objectives by combining planned work experience with a minimum of three months off-the-job training or further education, backed up by guidance and counselling and the documentary recording of progress.

All 16-year-old school-leavers who are unemployed during their first year out of school will be guaranteed a year-long place on the new scheme, while teenagers who become unemployed after some experience of work will be offered shorter courses.

Since 16-year-old school-leavers will be guaranteed places on the scheme, the Government says that this "brings them into a situation akin to those who go on at that age to further education." It also argues that, as 16-year-olds who are still at school continue to be dependent upon their parents and are not normally entitled to supplementary benefit in their own right, the same should apply to trainees on the new scheme.

Legislation will be introduced to achieve this change. As a result, those who leave school at the minimum age in the summer of 1983 will not normally qualify for benefit until September, 1984. Child benefit will continue to be paid to parents so long as their children are neither in work nor in the scheme—when young people join the scheme the child benefit payments will form part of their allowances.

If the new scheme is seen as part of a young person's continuing education rather than as the first year of work, the argument for providing an allowance primarily intended to do no more than cover travel and other expenses gains strength. But union leaders, already unhappy about the Government's efforts to lower the pay expectations of young people and its decision to abolish 16 of the 23 statutory industrial training boards, will see it differently. Some unions may refuse to co-operate with the New Training Initiative.

The Government accepts that union co-operation is essential if the scheme is to succeed. So, too, is employer co-operation—some 300,000 young people a year are likely to embark upon the new scheme in 1983-84 and 1984-85. Although the Government will be backing the project with £1bn of public funds in a full year—compared with the £400m cost of YOP in the current financial year—the guarantee of a place for every unemployed 16-year-old depends on large numbers of employers being prepared to provide work experience facilities.

But, however important the Youth Training Scheme may be in tackling the problem of youth unemployment and improving vocational preparation, it is only one element of the New Training initiative.

For the initiative aims to reform the apprenticeship system and open up greater opportunities for adult training and retraining. On apprenticeships, the Government has set 1985 as the target date by which traditional time-served, age-restricted apprenticeships should be replaced by a system of training to recognised standards.

Lord Scanlon has been around this particular obstacle course before. When he was president of the Amalgamated Union of Engineering Workers as well as chairman of the training board, he tried to introduce just such a system of training of standards in the engineering industry. But it was rejected overwhelmingly—by employers, educational interests and his own members. The Government believes the time has come to try again, and will gradually withdraw financial assistance for skill training which does not move towards the new system.

The changing requirements of industry in the future—coupled with the need to avoid the reappearance of skill shortages when the economy recovers—cannot be met by training young people alone, but call for extensive retraining of the existing labour force. This is seen primarily as a matter for industry, but the Government has decided to go ahead with the Open Tech programme designed radically to improve facilities for adult training, and the first project will start next year. The Open Tech will employ distance learning techniques, but will operate through existing institutions rather than becoming a separate one like the Open University.

Many issues are left unresolved by yesterday's White Paper, not least the question of how, in the long term, an improved national training effort is to be financed. When the White Paper's proposals are fully implemented in 1984-85, spending on Manpower Services Commission training programmes alone will total around £1.5bn. The Government says that for the immediate future it sees an increase of public expenditure on this scale as "the only way of plugging the gap in the training provision required if we are to be ready to meet the skill needs of the economy as trading conditions improve and to offer adequate opportunities to the current generation of young people."

In the longer term, however, the Government believes that the responsibility for training must lie mainly with employers. Although no decisions are likely this side of the next general election, the White Paper floats the possibilities of a remissible tax on the lines of the French training levy, or a system of training grants to employers financed out of general taxation. Either would involve an element of bureaucracy but, says the White Paper, "a large-scale expansion of public provision for training, parallel to the public education system, seems even more objectionable."

Successful adoption of the measures proposed yesterday would take Britain—where in 1979 some 40 per cent of school-leavers went into jobs which offered no training, while another 20 per cent were trained for at best eight weeks —a little closer to the West German system, under which almost every young person receives systematic training.

But, even on the most optimistic assumptions about the implementation of the proposals in the White Paper, there is still a long way to go. As a report by the Further Education Staff College, comparing the British and German approaches to vocational education, commented this week: "There is in Germany a general commitment to the training and education of young people, backed up by a legislative framework that simply does not exist in the UK . . . for the UK system to resemble the German system a substantial legislative programme would be required and significant changes in attitude would have to occur . . . the extent of the move necessary to bring the two systems to a comparable provision should not be under-estimated; it is vastly in excess of anything yet proposed."

THE GOVERNMENT'S PLANS

- A £1bn a year Youth Training Scheme, initially for the young unemployed;
- Incentives for employers to provide better training for young people;
- Development of the Open Tech;
- A study to see how the Youth Training Scheme can eventually cover young people in employment;
- A target date of 1985 to reform apprentice training;
- Better preparation for working life in initial full-time education;
- More vocationally relevant courses for those staying in full-time education;
- Closer co-ordination of training and vocational education at both national and local level;
- A £16m fund for development schemes in particular localities for sectors;
- Examination of longer-term possibilities for more effective ways of sharing training costs between trainees, employers and the taxpayer.

Economic Policy

Lord Kaldor replies to Professor Meade

AN ARTICLE by Professor Meade and two associates (December 8) takes up the suggestion made by Samuel Brittan to the effect that the Government should abandon its "money supply target" and adopt a money GDP target instead. On closer inspection, however, the objectives of the two authors are rather different.

Mr Brittan, if I interpret him correctly, remains a convinced "monetarist." He still believes that inflation is caused by excessive increases in the money supply but thinks that policies for regulating the money supply should be directed, not by reference to some intermediate target, like the rate of growth of £M3, but a more ultimate objective, such as the growth of total money incomes; if the latter is excessive, this should be a signal for tightening the "stance" of monetary policy, and *vice versa*.

"What is the point of concealing Keynesian objectives behind the facade of a money-GDP target?"

For Professor Meade on the other hand the money income target is an instrument for introducing Keynesian economics by the back door, so to speak: to present a Keynesian policy of demand management in a garb more acceptable to our present rulers. Hence the endorsement of the importance of monetary policy as such, of "financial discipline to restrain the inflationary pressure of the economy" and "the need to control the public sector borrowing requirement."

The novelty in his approach is in the suggestion to control the new monetary target—the rate of growth of the money GDP—by means of fiscal policy —i.e. by variation of taxation relative to Government expenditure—and not by monetary policy. He fails however to appreciate that fiscal policy is an instrument for controlling effective demand in real terms, not in money terms. It is only efficacious as an instrument for controlling the latter insofar as "money GDP" and "real GDP" are themselves highly correlated, which in turn assumes that the objectives which the policy is intended to achieve are already secured by other means —in which case the "money GDP" target is really a fifth wheel on the coach.

If we assume that the money GDP rises at a different rate from the real GDP—in other words, if there is inflation—the new target is no more amenable to control than the present target, £M3, which is itself a proxy variable for the rate of growth of money incomes or expenditures. As the experience of the past two years has shown, while inflation cannot be "controlled" by monetary policy, it can to some extent at least be alleviated by a contraction of effective demand in real terms, such as we have witnessed—in other words, by instruments of fiscal policy. This is both on account of the effect of output-contraction on unemployment and hence on the size of wage settlements, and its effect on the exchange rate and hence on the sterling price of imports.

But I can see no virtue in the adoption of Professor Meade's new target as such. For supposing a target of 10 per cent were set for the rate of growth of "money GDP." This may be consistent, either with (i) a rise in prices by 4 per cent and of output by 6 per cent; or (ii) a rise in prices by 20 per cent and of a fall in output by 10 per cent. Clearly neither Professor Meade nor Mrs Thatcher nor anyone else could be indifferent between these two outcomes.

Of course Professor Meade recognised this, and emphasises (albeit somewhat briefly in the final paragraphs of his article) that the success of his financial strategy requires a "fundamental reform of wage-fixing arrangements." But if this is the case, what is the point of concealing the combination of a money-wage target, an employment target, and a balance of payments target—which are the three well-known Keynesian objectives—behind the facade of a money-GDP target?

The other aspect in which Professor Meade goes out of his way to find a role for monetarism lies in his suggestion that "monetary policy should be used to achieve an exchange rate falling within a narrow target range"—by which he means an exchange rate which secures balance of payments equilibrium at full employment. By "monetary policy" he simply means an interest rate policy of the central bank—which is a good enough definition of "monetary policy" for those who do not believe in the primary importance of the money supply, though not of course to the monetarists. But as his primary object is to manipulate the exchange rate so as to secure adequate exports to match full employment imports, why use the instrument of interest rates for the purpose, when this objective could be far more effectively pursued—as indeed *was* pursued by the Bank of England right up to October 1977—through direct intervention in the foreign exchange market? To do it by his indirect method is far less effective or predictable in its operation and, as far as I can see, has no merit in itself except as a sop to the monetarists who are against direct intervention in the foreign exchange market on account of its supposed undesirable "side effects" on the money supply.

Lord Kaldor, Emeritus Professor of Economics at Cambridge University, served as special adviser to the Chancellor of the Exchequer in 1964-68 and in 1974-76.

Letters to the Editor

Promoting the voice of industry in Parliament

From the Director-General, Confederation of British Industry

Sir,—The Confederation of British Industry sympathises with Mr Nicholas Mendes (December 10) in his desire to achieve a better understanding of industry by Members of Parliament. But we do not agree with his suggestion that the CBI should sponsor MPs in the same way as trade unions.

The CBI cannot help but be a political organisation in that its main function is to represent the views of industry and commerce to Government, Parliament and the nation at large. But it is a non-party political organisation. Moreover, we believe that it is the duty of MPs to represent the interests of all their constituents not just those of local business or trade unions. Indeed, it would be a sorry day for Britain and for democracy if Parliament were merely to become a talking-shop for vested interests.

It is, of course, an advantage for MPs to have some understanding of how businesses operate. That is why the CBI has given its support to the Industry and Parliament Trust, which offers MPs of all parties a chance to gain direct experience of business by working for a short period in one or more member companies.

While the CBI is inevitably seen by some people as a counterweight to the TUC and the trade unions, it does not model its activities on what they do. We seek to promote the interests of trade and industry by sensible and logical discussion and by putting forward well researched policies which we believe to be in the best interests of all the people of Britain.

It is an essential part of our case that the standard of living of everyone in the country depends on the wealth which trade and industry create. Employment prospects, whether in the public or private sector, ultimately depend on the ability of industry and commerce to manufacture and sell products and services which people want to buy at prices they are prepared to pay. When our products are inadequate, our costs uncompetitive, and our delivery unreliable, we lose business to our competitors. Excessive pay settlements and poor productivity worsen the ability of companies to compete and to earn profits. Without profits there is no investment, and without investment there can be no new jobs.

The CBI believes it has a duty to ensure that MPs understand this basic message. Equally, we believe we have a duty to inform them of the deleterious effects of ill-considered legislation and bureaucratic incompetence. We have been warning politicians of all political parties for many *months* now that the costs imposed on trade and industry by central and local government—burdens like the national insurance surcharge and local rates — are becoming too heavy for many to survive.

(Sir) Terence Beckett.
Centre Point,
103, New Oxford St, WC1

Playing our cards badly

From Mr S. Thompson

Sir, — Congratulations on your editorial — "Playing our cards badly" (December 11). I must confess I was quite surprised to find the FT taking such a line so my delight was the greater for that.

It has always been my opinion that the introduction of the credit card was the start of our economic decline when it encouraged us as individuals and as a nation to live beyond our current means. It is truly the ugly side of capitalism when the banking cartel squeezes the profits of trade and mortgages the future earnings of the customers of the traders.

S. A. Thompson.
Lower Newlands,
Teynham, Kent.

Not abnormally profitable

From the Deputy Head of Public Affairs, Public Affairs Unit, Committee of London Clearing Bankers

Sir, — Your leading article of December 11, "Playing our cards badly" contains—not for the first time in your columns—the assertion that the British clearing banks are abnormally profitable by world banking standards. This widely held view is simply unsupported by the evidence.

Banks in most European countries and also those in Japan, maintain undisclosed reserves in their accounts, and their profits are stated after secret transfers to or from these reserves. Since their true profits are not disclosed, it is impossible for anyone to say whether they are more or less profitable than the clearing banks.

Meaningful comparison with banks in countries where undisclosed reserves are not maintained — such as the U.S. — is far from straightforward because of differences in accounting practices, notably in the treatment of deferred taxation, fixed asset valuation and goodwill. Barclays, however, did publish a prospectus in the U.S. earlier this year which included profits data prepared under U.S. accounting principles. In terms of its return on capital for 1980, these figures placed it between seventh and eighth among the 12 largest U.S. banks. Hardly evidence of abnormal profitability.

J. P. K. Tillett.
10, Lombard Street, EC3.

Expanding trade with Nigeria

From the Chairman, British Caledonian

Sir, While Mr Duckworth's comments (December 9) on the difficulties small companies face in trading with Nigeria have been taken seriously, it would be most unfortunate if they were to deter British firms from seeking new opportunities.

This would simply allow them to be snapped up by the foreign competition which has already demonstrated significant success in meeting the same problems.

Nigeria is one of the most rapidly developing countries in the world. Industrial and commercial expansion on the scale being experienced is bound to lead to growing pains in the world of business especially for small organisations without a Nigerian base.

It certainly should not be thought that British Caledonian, or indeed any of the other companies who joined me in writing (November 25) is somehow immune from the kind of difficulty Mr Duckworth has experienced. The need to understand local trading customs and practices is great and compliance with local regulations can cause operating problems which are often difficult to overcome.

Nevertheless it was clear to the trade mission jointly led by Peter Rees, the Minister for Trade, and me that the Nigerians are keenly aware that there is room for substantial improvement and are making genuine efforts to iron out anomalies. Indeed payment and remittance delays were among problem areas raised at ministerial level during our visit.

The Nigerian-British Chamber of Commerce represents interests—large and small—from both countries and it does stress the need for sound local representation.

Adam Thomson
Caledonian House,
Crawley, West Sussex.

Equal opportunity for all

From Professor L. Rodger

Sir,—Lombard (December 8) attempts to justify the university cuts. But the short-term benefit, as far as government expenditure is concerned, will extract an unacceptable long-term cost. One school leaver out of every six in Scotland who qualified for university entry last October will, by 1983-1984, find the door closed. An opportunity denied (who dares to talk of equal opportunity for all, now?), an expectation thwarted and a frustration implanted in tomorrow's adult citizen.

The worst that we can do for our children is to deny them the opportunity to realise their full educational potential. Disraeli said: "It is upon the education of the people that the future of the people depends." And as Mr Heath observed in the House recently: "The loss of educational facilities is a loss to a generation and for a lifetime."

"What did you do during the educational cuts, Daddy?"

"I went on the dole, son, and do you know, it cost the Government more to keep me there than it would if I had taken a degree course at university."

The cuts, sir, are wrong in principle and unfair in practice both in size and time-scale. The all-party Parliamentary Committee on Higher Education has just denounced them.

I do not plead a special case for my own University, Heriot-Watt. I plead for sane and sensible policies that do not sacrifice a long tomorrow for a transient today. The cuts are a politically vindictive plundering of the nation's seedcorn.

I am too much of a realist to expect either Lombard or this monetarised Government to place education among the highest priorities as far as expenditure is concerned. But at least the time-scale of the cuts should be extended to allow an orderly run-down of the system.

The Government, in its run-up to the next election, may be thinking of the short-term boost in assets it can present to the nation. It would do well to think of the long-term liabilities it is imposing on its stakeholders. Universities are not the only thing that can be run down. The next meeting of the shareholders in two years time looks like it may decide to sack the board and liquidate the company. That would be a kind of rough justice, wouldn't it?

(Professor) Leslie W. Rodger.
14, Craigleith View,
Ravelston, Edinburgh.

UK COMPANY NEWS

Guinness falls £1.5m but maintains total dividend

PRE-TAX profits of Arthur Guinness Son and Co. declined from £43.3m to £41.8m for the 12 months to September 26 1981 after depreciation of £22.5m, compared with £17.8m, and exceptional costs £3.2m higher at £4.3m, including terminal trading losses and closure costs

At midyear, with taxable earnings lower at £18.4m (£21.2m) the chairman expected profits for the full year to be less than for 1980-81 and warned that it should not be assumed that the final dividend would be maintained.

However, the total payment for the year under review is unchanged at 4.9p net per 25p share—the final being held at 3.325p—*although stated earnings per share were 3.6p down at 9.4p.*

Turnover of the group, which as well as brewing *has interests* in plastics, leisure and confectionery, moved up from £783.6m to £905.6m.

The taxable surplus, which was also after management costs of £3.1m (£2.5m) and interest charges £1m higher at £13.6m, included investment income the *same at £0.4m and a share of* associated profits which rose sharply from £8.5m to £13m.

Tax took £19.1m (£15.5m) and after minorities of £6.2m (£5m) and extraordinary debits of £9.8m (£0.4m) *for terminal* costs and provisions relating to non-brewing activities, the attributable balance *emerged well down* at £6.7m, against £22.4m.

The pre-tax figure on a CCA basis dropped from £30.4m to £22.3m.

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HIGHLIGHTS

Lex looks at the £50m loss from ICL which was announced yesterday along with a £32m rights issue. The column discusses *prospects for the company and then* moves on to consider the all-paper offer made by **Town and City Properties** for **Berkeley Hambro** yesterday which has been agreed by all *Berkeley's major shareholders. Lex looks at what* this means for the two companies before briefly considering the latest figures from **Northern Foods** where profits are marginally ahead *of forecast at £34.6m. Finally the column considers* the report from the 100 group of finance directors on the financing of nationalised industries. Among the companies reporting on *the inside pages the latest figures* from Arthur Guinness are considered in some depth.

Premier Oil investments bring 40% midterm surge to £1.2m

A SURGE of 40 per cent in first-half pre-tax profits has been made by **Premier Consolidated Oilfields**, which is largely due to higher interest *income* from invested funds. Turnover rose 10 per cent.

The taxable figure was £1.21m for the six months to September 30 1981, against a restated £859,000, including oil taxes in the tax charge. Tax thus took £515,000 against £454,000, leaving the net surplus at £690,000 *compared with £405,000.* This was more than double the £304,000 for the full year to March 31 1981.

However Mr Roland Shaw, the chairman, reminds shareholders that the continuing policy of re-investing profits in order to obtain capital growth may lead to lower profits by the year end —"providing worthwhile exploration investments can be found."

The results show in addition an unrealised exchange gain of £3.23m reflecting the decision a year ago to move sale proceeds of Lasmo shares into dollar holdings. Net profits emerge at £3.92m.

Exchange losses last time of £297,000 brought earnings at this level down to £108,000, while for *the full year* they reached £6.08m after exchange gains of £168,000 and an extraordinary *credit of £5.61m in respect of* the Lasmo holding.

Turnover excluding dividend and interest income was £1.62m (£1.47m). Mr Shaw describes exploration prospects as good, particularly in the UK and U.S., and adds: "Production from already established interests will result in substantially increased turnover in 1982."

Seismic work has been completed on a Premier-operated Inner Moray Firth seventh round block. Drilling there, and on the company's two new Channel *blocks where Esso is operator,* will take place in late 1982 or 1983.

Production in California declined, but 14 wells drilled there this year are helping to offset losses. Wildcat exploratory wells on Premier's Western States *acreage will be drilled shortly.*

● comment

This time last year, Premier Consolidated was capitalised at over £100m. As the only UK company *with really extensive acreage* in the Rocky Mountain Overthrust, Premier held considerable attraction for exploration-minded investors. But in the meantime farmouts and exploration in the area have lagged behind what was projected and an agreement relating to Desolation Anticline in Utah was not completed. *Speculative enthusiasm for oil* shares in general has waned this year, but Premier's share price *has halved to 57p, probably* pulled down by a degree of disillusion with its American prospects. At present levels, the shares are still priced on an exploratory basis, justified by Premier's involvement in three of the more interesting Seventh Round blocks and hopes that U.S. activity may speed up. Cash flow *is still small* in relation to the company's market value, and dividends—like a return to last *year's peak share price—will* follow only from a major discovery (whether in the Rockies *or the North Sea).*

SPAIN

December 15	Price %	+ or −
Banco Bilbao	331	
Banco Central	326	
Banco Exterior	303	
Banco Hispano	325	
Banco Ind. Cat.	115	
Banco Santander	350	−2
Banco Urquijo	212	−4
Banco Vizcaya	348	
Banco Zaragoza	210	−2
Dragados	128.5	−6.5
Espanola Zinc	60	−2
Fecsa	64	−1
Gal. Preciados	41	+1
Hidrola	77	+1
Iberduero	57.5	+0.8
Petroleos	87	−4.7
Petroliber	103	+2
Sogefisa	40	
Telefonica	72	
Union Elect.	72.5	

Better second half at Kelsey Industries

TAXABLE PROFITS of Kelsey Industries fell by over 50 per cent, from £2.84m to £1.4m, for the 12 months to September 30, 1981

However, the result means that the second half was better than Mr John Moss, chairman, thought likely last May, after first half pre-tax profits had fallen from £1.63m to £384,000.

The final net dividend has been maintained at 5.5p, making a total of 8p (same). Earnings per share are given as 17.6p, compared with 35.7p.

Mr Moss says the group is continuing with substantial investment *in new machinery and up*grading of old plant.

There was a reduced charge *for taxation of £574,000, against* £1.32m. An extraordinary credit of £87,000, compared with £922,000, arose on the sale of plant and machinery of Kelsey Chemicals.

Central TV slightly oversubscribed

THE PUBLIC offer of 49 per cent of the 25m shares of **Central Independent Television**, the company set up to take over the Midlands commercial television franchise from ATV Network, *has been slightly oversubscribed.*

Allotments will be subject to some scaling down and to the *approval* of the Independent Broadcasting Authority of the allottees. The IBA is to meet tomorrow to consider the suitability of the applicants and to decide whether or not to award the Midlands franchise to Central.

S. G. Warburg and Co., which organised the share issue, *declined to reveal the identity* of any of the applicants. However, it is reported that one of them is Ladbroke, the leisure and property group.

Northern Foods progresses with £34.6m at year-end

WITH ALL its main divisions showing improved trading profits, **Northern Foods** increased its pre-tax profits from £31.56m to £34.63m in the year to September 30 1981. Turnover soared from £581.51m to £743.3m, with trading profits higher at £41.3m compared with £36.84m.

The total dividend is raised from an adjusted 4.4p to 5p net with a final effectively raised from 2.8p to 3.2p.

All companies in the group are trading ahead of last year, except for Pork Farms, say the directors.

Profits include a first full year's results of Bluebird, and those of Dorset Foods which became part of the group in October 1980. *The directors say there was a* good first time contribution from Dorset Foods, and Bluebird out*performed* the rest of the industry but in a difficult year, disappointing by its own high standards.

The higher overall pre-tax profit was after taking account of somewhat lower earnings from investments—listed investments were down from £2.19m to £1.62m, but unlisted investments *rose from £10,000 to £13,000*— and interest charges, which climbed from £7.56m to £8.33m.

A sum of £1.1m (£1m) has been allocated out of pre-tax profits to the profit sharing scheme for eligible employees.

After minorities of £438,000 (£391,000) and extraordinary debits of £4,000 (£237,000 *credits*), *attributable profits* emerged at £25.47m against £22.12m. Dividends absorb £8.46m *(£7.37m)*. Stated earnings per 25p share rose from an adjusted 13.07p to 15.03p.

Commenting on the group's various divisions, the directors say further rationalisation investment at Northern Dairies produced *additional efficiency to* counter inadequate margins and disappointing sales.

Dale Farm Foods made excellent progress in fresh dairy product sales. Park Cakes showed steady growth in a shrinking market, and cream cake sales were "outstanding." Fox's also made excellent progress in a highly competitive market, but Smiths *suffered* reduced profits because of poor margins.

A *greatly* improved second half was seen at Goldrei following extensive reorganisation

The group is planning to spend £37m on its investment plans during the current year.

A breakdown of turnover and trading profits by division shows (in £000's): milk and dairy products, £244,202 (£226,947) and £18,491 (£16,136); meat products (includes only 38 weeks in respect of Bluebird), £359,732 (£229,303) and £12,865 (£10,748); milling and baking, £105,997 (£94,974) and £6,741 (£6,238); brewing, £20,168 (£18,800) and £2,466 (£2,137): other activities, £13,196 (11,490) and £730 (£1,534).

Turnover and trading profits by country: UK, £455,356 (£408,263) and £34,187 (£30,912); *U.S. (includes only 38 weeks in* respect of Bluebird), £287,939 (£173,251) and £7,106 (£5,931).

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Alliance Inv. ...int.	1	Jan 19	1*	—	2.7*
Beechwood ...int.	0.5	Feb 5	—	—	1
Carr's Milling	3	Jan 22	2.75	4.25	4
Chapman (Balham) int.	2	Jan 29	2	—	6.5
Equity & Law ...int.	4.5	Jan 28	4	—	13
Arthur Guinness	3.33	Feb 11	3.33	4.9	4.9
ICL	nil	—	2.03	nil	2.98
J. & H. B. Jackson	0.85	April 8	0.8	1.6	1.55
Kelsey	5.5	Feb 17	5.5	8	8
Lake & Elliot	1.5	March 5	2	2.5	2
Ldn. Merchant Secs. int.	0.43	Feb 6	0.36	—	1.08
Northern Foods	3.2	Feb 24	2.8*	5	4.4*
Plaxtons (GB)	5.5	—	5.5	8.5	8.5
Property Holdings ...int.	1.35	Jan 29	1.23	—‡	3.08
Redfearn Glass	5.28	Feb 19	5.28	8.28	10.56
Tex Abrasives ...int.	0.75	—	0.75	—	3.25

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Total of 3.5p forecast.

Plaxton's tumbles to £1.3m

TAXABLE PROFITS of Plaxtons (GB) have tumbled by £2.55m to £1.3m for the 52 weeks ended September 27 1981 and the directors are unable to predict an improvement in profitability in the current year. Turnover fell from £30.83m to £24.12m, and profits were after charging redundancy payments of £0.42m, against £0.19m.

However, as a result of a conservative approach to dividends in past years, it is paying a maintained final dividend of 5.5p net for a same-again total of 8.5p per 25p share. Tax took £0.21m (£1.65m) and stated earnings per share dropped from 37.6p to 18.6p.

In the current year, orders for coaches are at a similar level to *those at the corresponding time* last year with a larger proportion at higher specifications but reduced margins.

Redfearn Glass £1.5m in deficit

A TRADING *upturn* in the second half was insufficient to kept Redfearn National Glass, the York-based container *maker*, out of the red for the year to September 27 1981. Pre-tax losses were curtailed from the £1.61m midway to £1.49m overall, against £1.79m profits.

After the reduced interim dividend the final is maintained at 5.28p net per 25p share for a total of 8.28p (10.56p). Losses per share are stated as 26.89p compared with 21.02p earnings.

Mr John Pratt, the chairman, expects a return to profitability for 1981-82 as a whole, although further redundancy payments *will mean that the first half will* continue in deficit.

On slightly improved turnover *of £61.69m (£59.68m)* trading profits were almost completely eroded from £3.98m to £238,000. Redundancy costs of £418,000 (£858,000) were debited above the pre-tax level, as were similar interest charges of £1.31m (£1.33m).

Tax took £135,000 (£505,000), leaving attributable losses at £1.63m (£1.28m profits). After dividend payments a transfer from reserves of £2.14m is required, against £635,000 retained.

Net assets employed were £20.28m (£31.58m) at year-end, with fixed assets £19.58m (£19.47m). Shareholders' funds totalled £17.77m (£19.91m).

CCA adjustments increase the pre-tax loss to £3.36m (£712,000 loss).

● comment

Redfearn's pre-tax loss of £1.49m represents its worst-ever annual figures. The main problem has been a continued inability to cover rising energy costs by price *increases*. However the acceptance of diminished margins has enabled Redfearn to resist further overseas *competition*. The company also claims an increased share of a market which has suffered a volume loss of almost 9 per cent this year. Including this November's 340 redundancies, Redfearn has shed almost 40 per cent of its workforce over the last 2½ years. The PET division is still making *losses, albeit greatly reduced,* and the company expects it to be in the black next year. *Capital gearing is at 58 per cent,* fractionally up on last year, and about 70 per cent of borrowings are rate sensitive. The company regards cash control as its main priority, reflected in its deliberate run down of stocks. However it is still operating at about 80 per cent of capacity. The company expects better results next year, but long term prospects depend on continued development of lighter weight *bottles, and the brewers turning* back to bottle, as opposed to can, production lines. The final dividend is maintained at last year's much reduced level. But even with the total dividend 21 per cent down, the shares at 118p still yield 10.3 per cent.

Intasun Leisure rises sharply to £15.13m

BUOYANT SUMMER market conditions helped **Intasun Leisure Group** to produce a sharp rise in taxable profits from £10.24m to £15.13m for the six months to September 30 1981. Mr Harry Goodman, chairman, expects the pre-tax result for the full year to be no less than £13m.

The net interim dividend of this holiday tour operator and charter airline has been lifted to 1.4p *compared* with the 1.1p indication in the prospectus prior to its launch on the USM. In view of the increased profit forecast, the directors expect to pay a total dividend in excess of the 2.8p anticipated in April.

In the last full year taxable profits stood at £10.26m, on turnover of £101.65m.

The charge for tax this time rose from £2.7m to £5.4m. In the comparable period there were deductions for pre-acquisition profits of £3.2m and an extraordinary debit of £158,000.

Earnings per 10p share were given as higher at 18.8p, compared with 14.6p.

Interest and financing charges *payable* under aircraft finance and lease agreements are charged to profit and loss in such a way as to spread the charges as evenly as possible over the periods of the agreements.

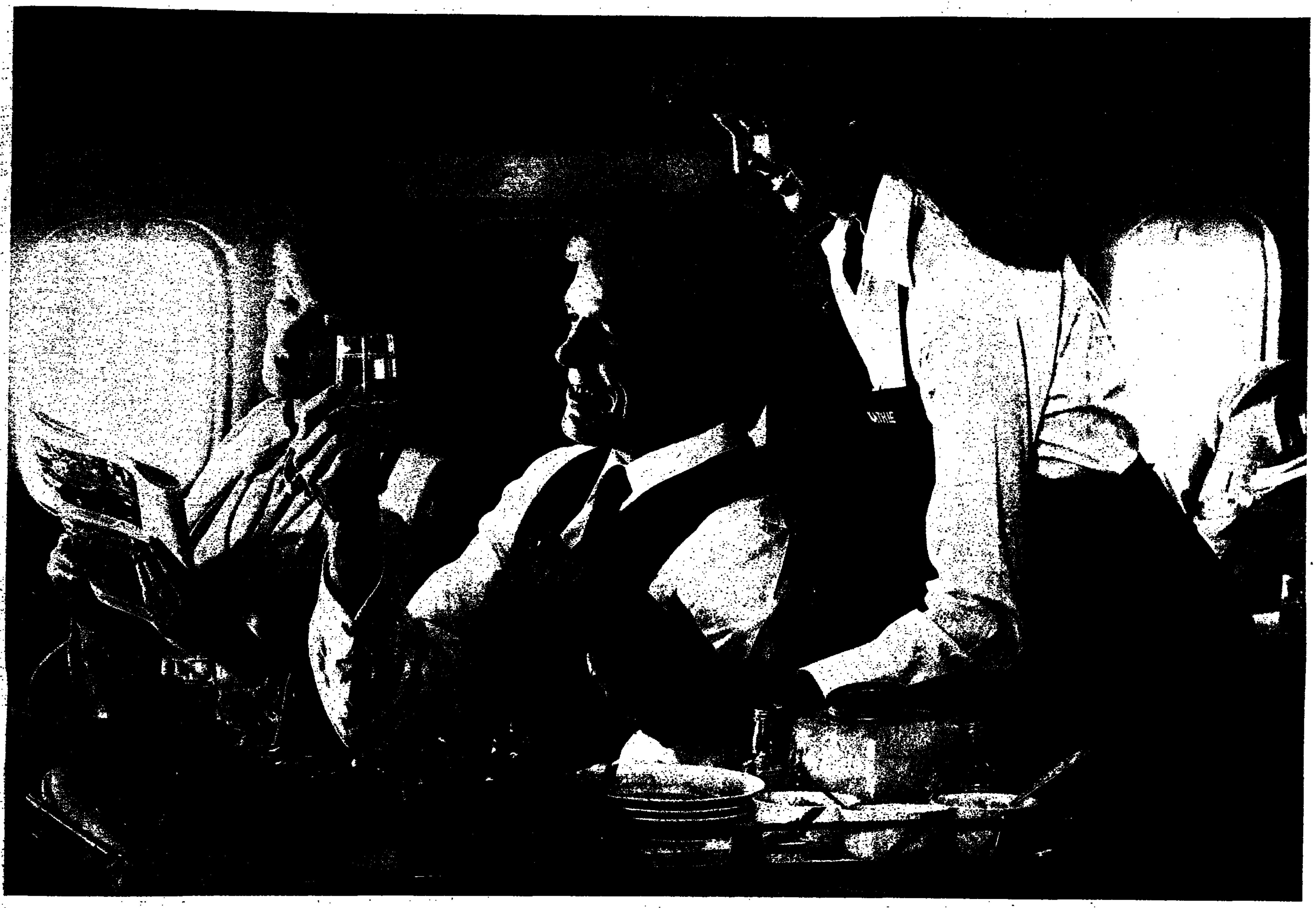
Had aircraft finance costs been charged to profit *and loss* as incurred, pre-tax profits would have been £14.6m (£9.1m) and attributable profits £10m (£4.4m). The tax charge would have benefited from the reinstatement of tax losses which would have arisen in prior periods. Earnings per share would have been 19.3p (14.1p).

● comment

Investors understandably viewed with some caution the forecast jump in Intasun's pre-tax profits from £3m to over £10m in 1980-81 when the group came to the USM last April. Yesterday's interim figures and the £13m profit forecast for the current year should help to ease doubts, as should the indications of further ... growth next summer. ... 99p, down 1p yesterday, the shares are near their 1981 peak but could advance further *to narrow the* rating gap with Horizon. Assuming the conventional *method for charging aircraft* financing costs is used, the prospective fully taxed p/e on Intasun is just under 9 compared to about 10 on Horizon. Also, the prospective yield on Intasun may be 5.2 per cent, about double that of Horizon. Then there is Intasun's £31m cash mountain, equivalent to 60p per share and ready for deployment if and when the anticipated shake-out in the air tour business begins.

Financial Times

TWA enhances First Class with a touch more class.



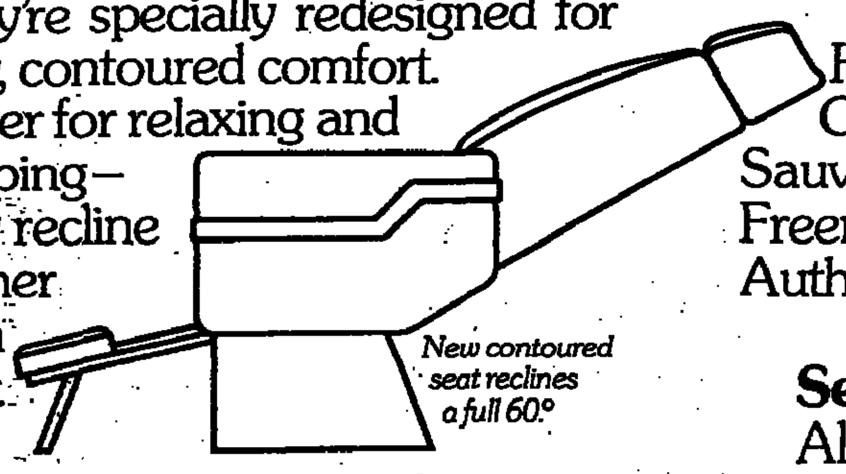
Introducing new Royal Ambassador Service.

It isn't easy, improving First Class. But TWA has done it by re-examining everything. And improving it.

We call it Royal Ambassador Service.

A better class of seat.

We started, of course, with the Sleeper-Seat on our 747's. They're specially redesigned for new, contoured comfort. Better for relaxing and sleeping—they recline further than ever.



Food for thought.

You won't spend all your time sleeping or watching the film. You'll want to dine well.

So, we offer five entrées, varying according to your flight, including dishes such as Duck with mangoes and Lobster Thermidor.

And we've taken a long, critical look at our wine list.

You can choose classic French wines, and Californian Chardonnays and Cabernet Sauvignons like Mondavi and Freemark Abbey (4-stars in Authoritative guides).

Service second to none.

All is served with distinction, on monogrammed china with a fresh flower on your table. Service is discreet, attentive and friendly.

You'll be presented with our new toiletry kit specially designed by Ralph Lauren, no less.

Could we offer more? Your own check-in? Of course.

A comfortable airport lounge? TWA Ambassador Clubs are at most international airports. Champagne before taking-off? Indubitably.

It's the sort of big improvement you'd expect from the biggest airline across the Atlantic. TWA's Royal Ambassador Service in First Class will spoil you for any other airline.

TWA Main Agent — See your TWA Main Agent for full details.

You're going to like us TWA

ICL loss nears £50m mark: £32m rights

WITH PRE-TAX losses for the 1980-81 trading year having *approached the £50m mark,* ICL, the computer systems group, is making a rights issue to raise *around £32.2m.*

Mr Christopher Laidlaw, the chairman, said yesterday: "I *believe we can say today's* position shows a totally different picture to that of six months ago. *We believe* we have turned our first main corner on the road back to a profitable and independent future for the group, as a leader in the European computer industry."

For the second six months, ended September 30, the group has turned in a loss, before tax, of £15.9m, leaving the full year deficit at £49.8m, compared with £25.1m profits *previously.*

There are no dividends for the year (2.975p net for 1979-80) and *the board does not expect to* recommend any ordinary payments in respect of the current period ending September 1982.

No dividend is payable on the preference shares until their redemption date of April 5 1983. The dividend then due, £7.2m net (subject to any adjustment required under the Articles of Association) will have to be paid before any ordinary payment can be made.

The costs of all the company's manpower reduction and other plant closure and product rationalisation measures committed in the year are very high. The full estimated costs will amount to £78.1m and this figure has been included as an extraordinary item. Of this total £33.6m was utilised by September 30 1981 and the remainder is included in the balance sheet under provisions.

Reflecting these extraordinary debits (*£7.7m last time*) the attributable deficit soared to £133.1m, against profits of £10m previously. Interest charges rose from £26.3m to £31.1m and tax took *£5.4m (£7.4m)*, but there was a minority credit of £0.2m this time. Stated loss per 25p share was *41.22p, compared with* 13.26p earnings.

In current cost terms, the *pre-tax loss was £47.6m (£27.2m profit).*

The rights issue is on the basis *of one* new ordinary share at 25p for every one ordinary held at the close of business on December 21. The Post Office Staff Superannuation Fund, the Prudential Assurance Company, and the Legal and General Assurance Society, who respectively own beneficially 5.4m, 3.7m and 2.2m of ICL's ordinary shares (in total 8.4 per cent) *have* undertaken to vote in favour of the resolution and to take up the new shares.

A major effort was made during the second half to reduce the level of group inventories in order to improve liquidity. Overall, a 24 per cent reduction was achieved from £183.2m at the start of the year to £139.6m at the end. Most success was in the manufacturing area, where component stocks and work-in-progress were less than half the level at September 1980.

Group borrowings at September 30 1981 amounted to £201.3m (including £79.3m of ECGD guaranteed export credits) and bank and cash balances totalled £36.9m, therefore giving *a net borrowing position of* £164.4m (£237.7m at previous year end). This shows an im*provement of £23.3m over that* at the end of June.

However, the substantial 1980-81 trading losses and restructuring costs have taken a heavy toll on shareholders' funds, which at end September 1981 were reduced to £71.6m.

The board considers the rights issue to be a further necessary *step towards establishing* a stronger capital base and a better balance between shareholders' funds and borrowings, although it recognises that, even after this issue, further steps may be required before an appropriate level of shareholders' funds is established.

However, the board is confident that the actions taken have laid the foundation for a profitable and independent future for the group.

At present, although there are as yet no discernible signs of *any* major improvement in economic activity, orders in October and November were at a higher level than last year's corresponding levels.

The board believes customer confidence in ICL is improving, but the collaborative arrangements so far put in place are unlikely to have any significant impact on revenue until the 1982-83 year.

The board does not feel able at this stage to make a profit forecast in respect of the current year.

However, it says, the purpose of the manpower reduction and other rationalisation measures is *to enable ICL to return to profit*ability as soon as possible without relying on volume growth *from* its existing business, since it cannot depend on an early end to the recession.

The full effect of cost-savings cannot be felt before the end of the first half of this financial year, and during this period the company must expect to continue operating at a loss, largely attributable to the first quarter.

Beyond that, ICL's recovery will be strengthened by the successful implementation of the new product and marketing strategies as well as by any upturn in the external environment.

Turnover for the year was only marginally down from £715.8m to £711.1m. Within the *total, however, there* was a fall in revenue from hardware: outright sales of equipment fell by *8 per cent,* and sales to leasing were 27 per cent lower than in 1980.

Rentals, *software* and services revenue rose by 19 per cent to contribute 50 per cent (42 per cent) of the total. There was a 43 per cent growth in software revenue.

The severe recession in the UK led to a fall in revenue from the home market *from* £404m to £392.4m. A small improvement overseas was concentrated in the second half and largely reflected the weakening of sterling.

See Lex

Beechwood recovery continues

A RETURN to pre-tax profits at half-time and a resumed interim payment are shown by **Beechwood Construction (Holdings)**, civil and mechanical engineers.

Mr J. Downing, chairman, who expects the group to "achieve a reasonable result for the full *year," says the recovery which* developed in the second half of last year (pre tax profits for that *period* were £185,000) has continued into the current year.

A taxable surplus of £61,824 was made to September 30 1981, compared with a previous deficit of £177,823. Turnover was slightly lower at £5.21m against £5.87m.

An interim of 0.5p net per 10p share is declared—for 1980-81 a single *dividend* of 1p was paid from taxable profits of £7,048 on turnover of £10.92m. Half-time stated earnings per share were 0.8p (losses 2.9p).

The depth of the recession inevitably led to a shortage of work and increased competition, says Mr Downing. However he is able to report that the civil engineer*ing division made profits of* £260,000 and since August contracts worth more than £2.75m *have been secured.*

The severe conditions affecting the manufacturing and mechanical engineering division persisted. The position has slightly improved in recent months but the loss for the first half was more than £200,000. The fabricating and welding companies continued to operate in a depressed market and their prospects and performances are being closely assessed.

Results of the well-drilling and pump services *division were* below expectations and were at break-even at the end of the half year. *Indications for the second* half are more encouraging.

At the trading level profits improved from *£66,273 to* £238,898, from which there was lower interest payable of £177,074 (£244,096).

Tax took £13,171 (nil) and after minority debits of £552,000 *(£182,000 credit) attributable* profits emerged at £49,205, against a loss of £178,005. The *interim* dividend payment absorbed £30,733.

Current cost accounts turns the *pre-tax surplus into a loss of* £48,556.

Chapman (Balham) dives to £85,000 at halfway

SERIOUSLY *AFFECTED* by cuts in Government spending, which have resulted in de-stocking of stationery products at *both* central and local levels, sales of Chapman and Co. *(Balham) have dropped from* £6.64m to £5.3m for the 26 weeks to October 3 1981 while pre-tax *profits dived to £85,000, against* £567,000 for last year's corresponding 27 weeks' period.

The group's activities include the manufacture of paper, envelopes, and cartons and also *envelope making machinery.* The directors say the weaker pound had a major impact on *costs, while recessionary forces* have delayed the passing on of these increases in higher prices.

While it is too early to predict a sustained recovery in the markets in which the company operates, they report a better *start to the second* half which, provided it can be maintained, should result in a more satisfac*tory performance for the period.*

The interim dividend is maintained at 3p net per 50p share—the previous *total* was 6.5p on taxable profits of £1.23m.

Interest charges for the half-year were £70,000 lower at £15,000, while there was a tax credit of £120,000 (£253,000 charge).

Liquidity remains satisfactory and this has enabled the group to pursue its planned capital spending programme in both paper production and advanced envelope machines.

J. Cropper ahead midway

FIRST HALF pre-tax profits of **James Cropper and Company**, paper maker, improved from £225,380 to £260,885 on turnover ahead at £8.69m, compared with £7.15m.

However, the directors warn that during the last few months order intake has deteriorated *which, if there is no improve*ment in the fourth quarter, will lead to a reduction in profits for *the second six months*—in the corresponding period for 1980-81 the group fell into the red with a pre-tax loss of £125,000, against a surplus of £474,130.

Taxable profits for the first half of the current year to October 3 1981 were struck after higher interest charges of £274,567 (£202,448). Tax took £6,857 (same) leaving the net balance £35,505 better at £254,028.

The net interim dividend is held at 1p per 25p share—a final *of 1.5p was paid last year.*

Commenting on the first half the directors say trading profit in *relation to* turnover was maintained principally as a result of a 16 per cent increase in sales volume in spite of the severe effect of exchange rates on raw material costs.

J. & H. B. Jackson has static year

TAXABLE PROFITS of iron, steel and non-ferrous merchant, **J. and H. B. Jackson**, were unchanged at £2.98m for the year *ended September 30 1981* after second-half figures of £1.2m, against £1.15m. Sales for the 12 months, however, fell back from £30.28m to £25.89m.

The year's profits included an increased surplus of £222,000 (£46,000) on the sale of investments. Tax took £1.21m (£0.88m) but there was a transfer of £0.46m from deferred tax (£0.21m transferred to) giving a net balance of £2.24m, compared with £1.89m.

Stated earnings per 5p share rose by 1.4p to 8.7p and a final dividend of 0.85p (0.8p) makes a total for the year of 1.6p (1.55p) net. There was an extraordinary credit for the period of £33,000 (£26,000 debit).

Interest drop lifts Latham

After much lower interest charges of £159,000, against *£471,000, taxable profits of James* **Latham**, timber merchant, finished the six months to *September 30 1981* ahead at £161,000, compared with £126,000 and a £337,000 loss in the 1980-81 second half. Turnover was little changed at £11.95m (£11.88m).

Trading conditions in the UK timber trade continued to be difficult throughout the first half, and directors say there was very acute pressure on margins in the wholesale markets.

Recent sales trends indicate that prospects are for a continuing slow business upturn which should produce some *improvement* in profit for the full year.

The interim dividend is main*tained at 3.35p net per £1 share* — last year's final distribution was 4.65p.

Pre-tax figure for the six months was also after depreciation, up from £101,000 to £123,000 *and included a profit on* land sale, last time, of £20,000.

After tax charges of £48,000, compared *with £38,000, the net* balance came through at £113,000 (£88,000).

John Swan advances to £148,500

Pre-tax profits of **John Swan and Sons**, livestock auctioneer and estate agent, advanced from £125,200 to £148,500 for the half year to October 31 1981 on turnover (commission fees and credit charges) ahead at £469,100, compared with £390,300.

The improvement, described by the directors as satisfactory, stemmed from an increase in commission earned on higher prices for store stock and from the additional numbers of fats *lambs sold.*

They point out that the earlier marketing of such lambs may reduce the numbers in the current half year and thereby reduce commission earned from this sector. However, this is likely to be compensated by increased commission on all clases of stock "which are currently dearer than at this time last year."

Overall, the directors expect *profits for the full 12 months to* show a useful increase over the £96,700 net returned for 1980-81.

Trading profit for the first half of the current year improved from £122,400 to £145,600

Tax took £77,000 (£65,100) leaving the net balance £11,400 higher at £71,500. Stated earn*ings per 25p share rose from 8.9p* to 10.6p.

For 1980-81 the group paid a *single dividend of* 7.425p net

John Booth profits fall to £4,571

On turnover of £3.33m, against £5.5m, pre-tax profits of **John Booth and Sons**, structural and welding engineer, declined from £34,354 to £4,571 for the half-year to *September 30, 1981. In* the last full year profits totalled £94,582.

Tax for the first half took £1,829 (£13,742) and after minority losses of £6,647 (£9,833 profits) the attributable balance came through at £9,389 (£10,779).

The directors say that although the half-year results show a *marginal profit, there would* appear to be little chance of avoiding losses for the remainder *of the year* unless it is possible to increase the volume of worthwhile overseas work.

Low levels of activity in the UK construction industry persisted throughout the period and there would seem to be little sign of any upturn, they state.

The group has acquired a 60 per cent interest in Brownlee and Murray Steelwork.

YEARLINGS

The interest rate for this week's issue of local authority bonds is 15¼ per cent, up ¼ of a percentage point from last week. The bonds are issued at par and are redeemable on December 22 1982.

A full list of issues will be published in tomorrow's edition.

Spong loss reduced at midterm

Spong and Co. the wirework and printing service group, reports a reduced net loss of £47,000, against £350,000, for the first half of 1981.

Sales for the six months fell *from £1.08m to £532,000*, but there was a turnround from an operating loss of £272,000 to *profits of £17,000.* Interest took £64,000 (£78,000).

Extraordinary items took *£63,000 (nil) and the attributable* deficit totalled £110,000 (£350,000).

Electric & General Inv. expands

For the six months to November 30, 1981 gross income rose at **Electric and General Investment Company** from £536,577 to £720,259. The net interim dividend is being raised from 0.95p to 1.05p. Profits after tax also showed an increase from £265,854 to £305,386.

Interest charges and expenses were higher at £162,171, against £107,972 and tax took £252,702 *(£162,751). Earnings per 25p* share were given as 1.69p (1.47p) and net asset value was 160.2p

Lambert buys out Wallem

BY ANDREW FISHER, SHIPPING CORRESPONDENT

Lambert Brothers Shipping, part of the Hill Samuel Group, has paid HK$132m (£12.4m) cash for the outstanding 75 per cent of Wallem of Hong Kong, one of the world's largest ship management companies.

Lambert has had a 25 per cent stake since 1966 and the purchase of the rest makes the shipbroking company into the world's major all-round provider of shipping services.

"Hong Kong is becoming more and more the centre of so much in shipping," said Mr Michael Toogood, the managing director of Lambert. For its shipping services to expand, "the East was the obvious place."

Wallem manages more than 70 ships for Scandinavian, South American, West German and other owners. Its other activities include shipbroking, port agency and freight sales services, travel and insurance broking.

Last year, Wallem made a pre-tax profit of £1.9m after minority interests and excluding exchange gains and investment proceeds. In the 10 months to end-October 1981, the figure was £2.8m.

Mr Toogood said this year would be the best ever for Wallem, which pays low Hong Kong tax rates. Earnings have risen steadily since the trough of the late 1970s.

Net tangible assets of Wallem totalled £13.5m on October 31, including cash of £12m.

Lambert bought the remaining shares from trustees for the Wallem family, and from Mr Anthony Hardy, who remains as chairman and owned about 15 per cent.

Lambert Shipping boosted pre-tax profits last year from £880,000 to £1.6m—the year-end was March 31—and is involved in dry cargo, tanker, sale and purchase, and offshore broking, as well as other activities.

RTZ offer gets Tunnel backing

Rio Tinto Zinc Corporation moved a step closer yesterday to controlling 20 per cent of the UK cement market. It is making an unwelcome bid for Thos W. Ward at present, but has also announced its intention, if that is successful, of then bidding for Tunnel Holdings, in which Ward has 42 per cent.

Yesterday, Tunnel's board confirmed RTZ's claims that such a takeover would not be unwelcome.

Tunnel issued a statement yesterday which said that "after exhaustive consideration of the practical alternatives, the board along with its advisers, has no hesitation in stating its preference for the option of ownership by RTZ."

Tunnel spelt out to shareholders what few alternatives there were. Should RTZ get control of Ward, it would also automatically have control of Tunnel since it owns 8.67 per cent of Tunnel in its own right, which it could amalgamate with Ward's 42.3 per cent.

Tunnel took pains to say that one of the alternatives—a takeover by Ward—"would be highly undesirable."

However, it has promised not to sell out cheaply. If and when RTZ were to bid, the Tunnel board would only recommend it if "proper emphasis" were placed "on the very important question of price."

The first indication of price was hinted at in the statement in which the board noted that Ward had put a price "in excess of 435p" on Tunnel. That price was Ward's final cash offer earlier this year. Yesterday, Tunnel's shares closed 5p down at 415p.

Lake and Elliot profits show substantial advance

A TAXABLE profit of £611,000 in the final eight months of the 14 months period ended September 30 1981, enabled Lake and Elliot to finish with £917,000—a considerable increase over the previous year's £230,000.

Turnover for the 14 months amounted to £28.44m, which, on an annualised basis, showed a rise of 11 per cent on the 1979-80 figure of £21.91m. The group's activities include the manufacture of steel castings and also valves and ancillary equipment for the petrochemical industries.

In the light of the results, the directors are recommending a final dividend of 1.5p net, making 2.5p for 14 months, compared with 2p for the previous year. Tax took £281,000 (£60,000 credit) and stated earnings per 25p share were higher at 6.3p (2.9p).

On prospects, the directors say that despatches during the first two months of the current year have been disappointing, resulting from the low order intake from customers in the summer months.

However, recently the rate of order intake has shown a considerable improvement against the national trend and they believe that the action taken, and the strategy which has been adopted, should result in the group performance taking a further step forward in the coming year.

The directors say the group is now well placed to take advantage of any opportunity for growth and development that may arise in any of its various areas of activity.

For the period under review, the group benefited from a non-recurring profit of £260,000 arising from the low initial acquisition price of Darenth stock, but this was offset by abnormal losses of £190,000 resulting from a bad debt and stock write-offs in two other subsidiaries.

Group exports advanced from £3.08m to £4.48m, equivalent to an increase of 24 per cent per annum.

Extraordinary debits amounted to £308,000 (nil). These comprised £484,000 for costs and provisions attributable to remedial action in a loss making subsidiary, less £176,000 profit arising from a land transaction.

The group's liquidity position has improved significantly during the period with net borrowings reduced from £2.57m to £1.26m and as a result, gearing is down from 21.2 per cent to 10 per cent.

● comment

For all that the Lake and Elliot market is tightly held and an obstacle to aggressive buying, the shares may be about to break out of this year's narrow 30p-40p band. They climbed 4p yesterday to 37p where the annualised dividend yields a supportive 8.6 per cent. Profits have started a smart recovery which the group believes can be continued without any upturn in demand. The valve business is progressing reasonably well and the new Houston acquisition has had the effect of turning what were £100,000 U.S. interim losses into a £150,000 profit for the year. More importantly still, the jacks division should be breaking even in the current half-year after the £200,000 trading loss, a redundancy charge of some £100,000 and a hefty stock write-off prominent amid the £450,000 below the line charge. The two foundries are reviving quickly; Braintree is up by around 40 per cent to £400,000 pre-tax and Leven has improved by about 12½ per cent to £280,000. ROC in both foundries is about 15 per cent which the group says can be pushed further ahead this year without higher througput. Perhaps about three-quarters of the drop in gearing can be attributed to a seasonal fall in debtors but a determined attack on working capital will be another factor in what may be a revival to 1977-78 profit levels.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: E. Austin (London), Equity Consort Investment Trust, Hampton Gold Mining Areas, Jacksons Bourne End, Kennedy Smale, Lennons, Marston, Thompson and Evershed, Radiant Metal Finishing, Alexander Russell.

Finals: Bluemel Bros., T. Cowie, Elson and Robbins, Marley, Stenhouse.

FUTURE DATES

Interims—

Electronic Rentals	Jan 7
Imry Property	Dec 18
Wheway Watson	Jan 11

Finals—

Brentnall Beard	Dec 18
Burns-Anderson	Dec 21
De Beers Industrial	Dec 24

Willis Faber reveals approaches

BY JOHN MOORE

Willis Faber, which owns large Lloyd's insurance broking and Lloyd's underwriting interests, has been approached by "several reputable British institutions" to buy the group's Lloyd's underwriting managing agency.

Mr Ronald Taylor, chairman of Willis Faber, revealed that the group had received several approaches, before a House of Commons committee which is reviewing the Lloyd's Bill of Parliament.

Mr Taylor, whose company's shares are quoted on the London stock market, told the chairman of the committee, Mr Michael Meacher, MP (Lab, Oldham W), that although approaches had been made "no negotiations had been started." He said that his group was considering a number of alternatives, including selling the underwriting management company to the members of Lloyd's whose affairs it supervises.

The surprise news came as the Commons committee was hearing evidence from various interests at Lloyd's on a crucial clause which the committee insisted should be inserted in the Lloyd's bill for improving the insurance market's self regulation.

The Commons committee insisted that Lloyd's should require Lloyd's brokers to sell off their controlling shareholding links with underwriting management companies, who run underwriting syndicates, because of conflicts of interest.

Alexander Howden Group, the financial holding company with large Lloyd's broking and underwriting interests, is challenging the ruling in a Parliamentary petition.

Mr Taylor, appearing for Lloyd's, told the Commons committee that his managing agency company could contribute about 3 per cent of the total pre-tax profits of the group, which in the last financial year were £19.3m to December 31 1980.

Mounting speculation over Lord Kissin move

THE Guinness Peat board meets today against the background of mounting speculation that Lord Kissin, the group's life president who stepped down from the board in 1979, is about to make a bid for a 20 per cent stake in the group.

Last week, Guinness Peat said that it had had advance notification that a partial offer may be made within the next few days to acquire a significant shareholding in the group at a premium to the current market price. After the announcement the shares rose 15p to 100p but last night closed 5p down at 93p.

The executive directors on the Guinness Peat board are believed to support chairman Mr Dell's attempts to diversify the group away from its heavy dependence on volatile commodity profits, by building up its financial services operations. However, Lord Kissin and some of the non-executive directors are said to oppose the speed with which Mr Dell is changing the character of the group.

Lord Kissin has told the Guinness Peat board on a previous occasion that he wants to show his support for the board by enlarging his stake. However, the move could damage Mr Dell's fragile authority over his board.

LONDON TRADED OPTIONS

Dec. 15 Total Contracts 499. Calls 363, Puts 136.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	280	40	—	50	5	—	—	316p
BP (c)	300	26	2	36	12	46	—	"
BP (c)	320	12	2	—	—	—	—	"
BP (c)	330	—	—	23	25	34	—	"
BP (c)	350	5	2	—	—	—	—	"
BP (c)	360	—	—	11	12	23	—	"
BP (p)	300	7	3	18	2	24	—	"
BP (p)	320	13	2	—	—	—	—	"
BP (p)	330	—	—	32	28	40	—	"
CU (c)	130	9	—	14	—	17	10	128p
Cons. Gld (c)	460	47	1	60	—	77	—	500p
Cons. Gld (c)	500	19	—	38	1	57	1	"
Cons. Gld (c)	550	6	1	16	—	25	—	"
Cons. Gld (p)	460	8	—	15	—	18	2	"
Ctlds. (c)	70	6	4	9½	6	12	—	73p
Ctlds. (c)	80	2½	—	4½	1	6½	—	"
GEC (c)	800	18	7	39	—	60	—	785p
GEC (c)	850	5	5	19	—	—	—	"
GEC (p)	750	13	2	30	5	37	—	"
GEC (p)	800	32	2	42	2	50	—	"
Gr'd Met. (c)	180	8	17	14	1	22	—	177p
Gr'd Met. (c)	200	3	—	7	1	14	—	"
ICI (c)	260	24	31	36	5	44	3	276p
ICI (c)	280	12	11	26	10	36	—	"
ICI (c)	300	5	17	15	—	26	—	"
ICI (p)	260	3	45	10	—	14	—	"
ICI (p)	280	15	1	18	—	24	—	"
ICI (p)	300	26	4	30	—	34	—	"
Land Sec. (c)	288	22	1	—	—	—	—	302p
Land Sec. (c)	312	8	31	—	—	—	—	"
Mks. & Sp. (c)	120	8	20	15½	5	19	—	125p
Shell (c)	360	50	3	64	—	74	—	404p
Shell (c)	390	24	13	40	5	54	—	"
Shell (p)	390	8	6	20	26	25	—	"

Option	Ex'rcise price	February Closing offer	February Vol.	May Closing offer	May Vol.	August Closing offer	August Vol.	Equity close
Barclays (c)	480	12	1	20	—	35	—	433p
Imperial (c)	70	6½	20	7½	5	11	—	71p
Lasmo (c)	420	50	—	67	1	90	—	434p
Lasmo (c)	460	27	—	45	1	65	—	"
Lasmo (c)	550	12	—	17	10	—	—	"
Lasmo (p)	500	7	—	10	2	—	—	"
Lonrho (c)	80	5½	5	8½	—	10	—	78p
Lonrho (c)	90	3	5	4	10	6	—	"
P&O (c)	110	13	—	18	1	—	—	118p
P&O (c)	120	8	6	15	—	19	—	"
P&O (c)	140	3	—	7	6	—	—	"
Racal (c)	390	45	3	58	—	72	—	415p
Racal (c)	420	28	4	40	—	53	—	"
RTZ (c)	460	35	6	55	—	67	—	457p
RTZ (p)	550	12	1	20	—	—	—	"
RTZ (p)	650	5	15	—	—	—	—	"
Vaal Rfs (c)	60	9½	—	10¼	2	12½	6	667
Vaal Rfs. (c)	70	4¼	6	6	—	7	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$375	—	—	—	—	40	77	$414
GOLD C	$400	3	32	—	—	63	59 A	"
GOLD C	$425	20	15 B	15	31.50	40	45	"
GOLD C	$450	98	8.50	—	—	—	—	"
GOLD C	$475	27	4	3	12 B	—	—	"
GOLD P	$400	5	12	—	—	—	—	"
GOLD P	$425	7	25	—	—	—	—	"
GOLD P	$475	1	61 B	—	—	—	—	"
12¼ NL 81 87-91								
C	F.102.50	25	4	—	—	—	—	F.106.20
C	F.105	60	2.10	—	—	—	—	"
C	F.107.50	100	0.70	—	—	9	1.80	"
P	F.105	300	0.70	—	—	—	—	"
12 NL 80 88-95								
C	F.97.50	—	—	—	—	5	1.80	F.96.40
P	F.95	—	—	—	—	5	1.90	"

Series		Jan. Vol.	Jan. Last	April Vol.	April Last	July Vol.	July Last	Stock
ABN C	F.300	20	3	9	7	—	—	F.283.50
AKZO C	F.20	44	3.20 B	—	—	—	—	F.22.90
AKZO C	F.22.50	90	1	55	2.30	—	—	"
AKZO C	F.25	20	0.40	30	1.20	53	1.70	"
AKZO P	F.22.50	—	—	10	1 A	5	1.90	"
AKZO P	F.25	—	—	10	2.80	—	—	"
AMRO C	F.55	13	1	—	—	10	2.10	F.53
HEIN C	F.50	—	—	2	1.60	—	—	F.47.20
HOOG C	F.17.50	—	—	—	—	30	1.50	F.15.70
IBM P	$55	3	2	—	—	—	—	$53¼
KLM C	F.90	11	7.70	3	15.50	—	—	F95.50
KLM C	F.100	78	3.10	14	10.30	—	—	"
KLM C	F.110	12	1.30	4	6	3	9	"
KLM C	F.120	41	0.50	10	3	—	—	"
KLM C	F.130	5	0.30	—	—	—	—	"
KLM P	F.80	—	—	3	2	—	—	"
KLM P	F.90	43	1.60	—	—	4	5.50	"
KLM P	F.100	23	6.70	6	8.00	—	—	"
NEDL C	F.140	14	7.50 B	2	13	—	—	F.145.30
NEDL C	F.150	33	1.60	10	6.50 B	—	—	"
NEDL C	F.160	15	0.50	58	3.50	—	—	"
NEDL P	F.140	17	0.80	—	—	—	—	"
PHIL C	F.20	79	0.60	20	1.60	52	1.80	F.19.80
PHIL C	F.22.50	—	—	19	0.70	76	0.90	"
PHIL C	F.25	—	—	70	0.30	—	—	"
PHIL P	F.20	40	0.80	—	—	5	1.60	"
PHIL P	F.22.50	—	—	—	—	100	3.10	"
RD C	F.80	31	10 B	6	12.70	—	—	F.89.30
RD C	F.90	32	2.50	19	5.50	—	—	"
RD C	F.100	25	0.50	126	2.60	—	—	"
RD P	F.80	126	0.30	75	1.50	—	—	"
RD P	F.90	41	2.50	7	4	—	—	"
UNIL C	F.140	23	10.20	8	13.60	—	—	F.149.80
UNIL C	F.160	5	0.50	—	—	—	—	"
UNIL P	F.140	100	0.50	—	—	—	—	"

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
MANN C	DM.160	30	4	10	9	—	—	DM157.29
SIEM C	DM.220	5	3	—	—	—	—	DM205

TOTAL VOLUME IN CONTRACTS: 2820

A=Asked B=Bid C=Call P=Put

ATT to acquire 45% of Irish telecom group

The U.S. telecommunications giant ATT is to acquire a 45 per cent stake in the small but vigorous private Irish company, Telectron. The deal is described in Dublin as giving ATT an opening in international telecommunications technology.

BRITANNIA

Britannia Group of Unit Trusts at a meeting of the Unitholders of Britannia Special Situations Trust on December 11 passed an extraordinary resolution to effect the scheme of amalgamation with Schlesinger Special Situations Trust.

A & A Howden offer

THE COMPLETE package of the agreed takeover by Alexander and Alexander Services, the U.S. insurance broker, of Alexander Howden, the UK insurance broker, was revealed yesterday with the publication of the official offer document.

The terms of the bid confirm that shareholders are being offered for every 100 Howden shares (prior to the capital reorganisation) 6.77 A. and A. shares plus $113 nominal in 11 per cent subordinated convertible debentures due in 2007.

Shareholders will be allowed to take a larger proportion, or the whole offer in either A. and A. shares or in A. and A. debentures.

The document sets out the effects on capital and income of the proposed terms. The market value of 100 Howden shares based on the middle market quotation for September 21 1981 (the last dealing day before the announcement of the terms for the ordinary shares) was £142. This compares with a value of £152.94 on the basic offer or £152.73 if election for all A and A shares or £153.35 if election for all debentures.

The holders of Howden warrants are being offered £112.50 cash for each warrant, equivalent to 175p for each Howden share prior to the capital reorganisation. This offer is conditional on the necessary approval by the warrant holders.

T & C bid for Berkeley Hambro

Town and City Properties has made an offer to acquire the entire ordinary share capital and units of preference stock of Berkeley Hambro Property Company. Terms of the offers, which are being recommended by Berkeley directors are: for every 10 ordinary 25p shares of Berkeley, 50 ordinary shares of 10p each and 12 7 per cent convertible cumulative preference shares of £1 each of Town and City. Terms for the preference units are: for each unit of 3.5 per cent cumulative preference stock of Berkeley Hambro, 60p in cash.

Arrangements have been made under which accepting shareholders may receive cash of 27p per share in respect of the ordinary and/or 150p per share in respect of the convertible cumulative preference shares to which they will become entitled ("the cash alternatives").

The cash alternatives are equivalent to 315p per existing Berkeley Hambro ordinary share. The offer for Berkeley Hambro ordinary shares is equivalent to approximately 348p per ordinary share. On full conversion of the convertible shares the offer is equivalent to 11 ordinary shares of Town and City for each ordinary share of Berkeley Hambro.

Berkeley Hambro shareholders will be entitled to receive and retain a special interim dividend of 4.5p which will be paid on the offers becoming unconditional.

Berkeley Hambro and its financial advisers, N. M. Rothschild and Sons, consider the offers to be fair and reasonable.

TANKS CONSOLIDATED

Tanks Consolidated Investments states that a resolution was passed at an EGM in Nassau approving the proposal that the votes attached to its holding in Union Miniere SA (UM) be cast in favour of a resolution of UM to implement the merger of UM and Societe Generale de Belgique SA.

Irish Bank holding sold

City of Dublin Bank is selling 40 per cent of its wholly-owned subsidiary, Irish Bank of Commerce, to Credit Commercial de France for I£1m.

The sale will yield a capital gain of £600,000 to City of Dublin Bank.

CCF has 220 branches in France and a growing international division. Gross assets exceed I£7,500m.

Mr Thomas Kenny, chairman of City of Dublin Bank, said the involvement of an international bank with Irish Bank of Commerce would give a new impetus to its growth.

"We see this association as a logical next step in the development of Irish Bank of Commerce," he said.

City of Dublin Bank and CCF have agreed to subscribe I£1m for additional ordinary share capital in Irish Bank of Commerce. City of Dublin Bank will contribute I£600,000 and CCF I£400,000.

Irish Bank of Commerce has been a subsidiary of City of Dublin Bank for six years and in addition to conventional lending, undertakes acceptance credit business in the Republic and the UK.

City of Dublin Bank has assets of I£68m and recently announced record pre-tax profits of more than I£1m for the year to end-September 1981.

LMS over £4m and boosts interim

HIGHER RENTAL income contributed to a strong advance by **London Merchant Securities** for the six months to September 30 1981, with pre-tax profits of £4.16m against £3.2m.

The interim dividend is raised from 0.36p to 0.43p net per 25p share, last year's total having been 1.08p when the taxable surplus reached £8.18m.

Earnings per share are given as 0.91p compared with 0.89p adjusted for the November 1980 scrip. A higher tax charge of £1.81m (£1m) and minority debits of £169,000 (£46,000) left attributable profits only slightly ahead at £2.19m (£2.15m).

The pre-tax figure was also struck on profits from property and other interests at £3.5m (£2.24m) and a £437,000 contribution from associates, where the plunge from £1.27m is blamed on a further decline in the performance of Carlton Industries.

Net rental income from investment properties was £3.54m (£2.59m) and turnover of trading activities £581,000 *(£660,000)*.

London Merchant Securities is a subsidiary of Westpool Investment Trust.

● comment

The shares of **London Merchant** *Securities have been among the* year's most conspicuous underperformers, falling by more than one-third since January 2 when the ordinary stood at 88p. Westpool, which holds just over half the equity in LMS is one of the very few companies whose shares have done still worse. Although Carlton has been much *less profitable, and associate* income has accordingly declined, the group's other interests have more than offset that reverse. In particular, rent reviews are now giving a strong boost to property income—forecast to reach £8.5m *this year*—and implicitly to the value of the property assets. Moreover, since the loan stock *was tucked away this time last* year, LMS has switched into being a net receiver of interest. Despite this endowment, the rate of advance in earnings is very low. Even after a dividend increase of almost 20 per cent, the prospective yield is barely 3 per cent; in their reduced circumstances at 57p. *the ordinary are still discount*ing quite a lot from the Maureen field and the Angel development.

Boardroom shuffle at John Foster

A boardroom shuffle was announced yesterday at the troubled Yorkshire firm of **John Foster**, maker of mohair suits.

Derek Gallimore, one of three joint managing directors, will become chief executive.

Douglas Smith, the chairman, and two *joint* managing directors, Richard Slaughter and Peter Lambert, are leaving the *company. Mr Smith and Mr* Slaughter are both retiring on grounds of age. However, Mr Lambert is resigning, "by mutual agreement."

Mr Lambert said last night that he had been with the company for 25 years, and felt that it was "time for a change."

ALLIED LONDON PROPERTIES

The chairman of *Allied* **London Properties** told the annual meeting that manage*ment figures for the first five* months of the current year show that steady progress is continuing. The board is confident of satisfactory results for the half-year to December 31 1981.

Duncan Campbell-Smith looks at the Arthur Guinness results

Retrenchment after unhappy diversification

KANGAROOS AND plague-infected bats are among the starry cast of 11 films part-*financed since the mid-70s* by Arthur Guinness Son and Co, the brewer.

But *Mr Anthony Pursell*, the company's deputy chairman, has other animals in mind when he spoke of the film business *yester*day. "Eleven little dogs," he said, "making one big dog in all."

Guinness's results for the year to September 26 were published yesterday, revealing a film financing loss of £4.7m. Some film distribution profits off-set £0.8m of this, and there was a provision for future losses which aggravated the problem. Nevertheless, Guinness as now ended *its foray into the film world of* Los Angeles.

It was the most exotic part of a diversification *programme* which has badly let down the group since the current recession began. Non-brewing activities contributed £15m to pre-tax profits of £52.9m in 1978-79, but have left a net trading loss in the *latest results*.

This has helped reduce brewing profits of £48m down to a pre-tax profit figure of £41.8m, against £43.3m last year.

Guinness has bravely reacted to the setback. Several other small trading operations in addition to its film business have been closed down, with extraordinary losses of £9.8m, and plans are well advanced for the disposal of some more important subsidiaries. These will include Callard and Bowser, the confectionery company, which had losses of £1.3m over the year.

Above all, the Guinness family — which still controls the group and holds about 20 per cent of the equity — has brought in a new broom at senior management level. Mr Ernest Saunders *arrived as group managing* director on October 1, with full responsibility for day-to-day management.

At the same time, the retirement was announced yesterday of Mr Michael Ogle, the director responsible for the leisure division, who joined Guinness in 1975 when it took a majority share *in Morison Son and Jones*, the trading company.

Mr Saunders comes straight from the central management committee of Nestle, the Swiss multinational. *His brief seems* quite clear, as both he and Mr Purssell stated rather disarmingly yesterday. He *represents* "an injection of professional management."

His first task must be to continue the retrenchment already started by attending to some unhappy investments which have proved big enough to lose a lot of money, but too small ever to compete in difficult markets.

Guinness, of course, has been here before. It tried to diversify into pharmaceuticals in the 1960s, ended up losing about £1m a year on the attempt and had to consolidate back around brewing in the early 70s. Its success in doing so was rewarded *by a major expansion of its* markets, and profits, into the second half of the decade.

Mr Saunders evidently believes that Guinness can repeat the trick. "Guinness has *always been an institution*," he says. "If we can turn it into a *professional* commercial organisation as well, then watch this space."

Guinness's image of itself as an institution could still be one of constraint on future streamlining moves. A five-year modernisation plan for its main St James' Gate brewery in Dublin will start next year and it is intended to reduce the workforce from 2,600 to 1,500. Generous retirement benefits could cost the group several million pounds, according to some estimates.

Ireland is now of more importance than ever to Guinness. Some of the group's consequent *difficulties have less to do with* the subtleties of its own social policy than with the blunter *realities* of Irish economic policy.

The price of a pint of Guinness stout in Ireland has risen from 59p to 84p over the last 12 months.

Sales of stout have, neverthe*less, held reasonably steady in* Ireland. Together with other beer and lager sales, they continue to account for about 30 per cent of the group's revenues.

Trading profits registered in Ireland have risen in 1980-81 to 62 per cent of the total, *from* 51 per cent. Important tax advantages continue to favour chanelling group profits through Ireland where possible and the figure by including exports of stout again underlines the importance of brewing *operations* this year.

Where the coming changes at Guinness might leave *their* relative importance is not yet clear. Doubts still linger about the future strength of Harp, Guinness's diversification into the lager sector.

Harp has this year retained its market share, according to Mr Purssell, and remains the largest national label lager. But Scottish and Newcastle and Courage, which also retail Harp, now have their own growing brands and the *lager market* seems set to grow even more competitive.

Mr Purssell thinks Harp still has enormous potential and says Guinness will continue to push the brand with heavy advertising.

Other activities which Guinness seems keen to strengthen include its plastics and *materials handling* division, and some of the retailing businesses acquired in previous diversifications, including the Drummond chain of pharmacists in Scotland.

Mr Saunders recognises that Guinness has had to draw on reserves in order to retain its dividend this year and says there will be "clear signposts" towards change in 1982.

But Mr Saunders will not be rushed into details. "Let's just say, we shall be having a rather different discussion next year."

MINING NEWS

Now Noranda is to cut molybdenum production

BY KENNETH MARSTON, MINING EDITOR

MOLYBDENUM, which is mainly used in the steel industry, was one of the last of the metals to succumb to the world economic downturn with the result that its fall from a previously buoyant market has been swift and severe.

Production cutbacks are now the order of the day and Canada's **Noranda Mines** has announced that it is planning to reduce its 1982 molybdenum output by around 25 per cent to between 8.5m and 9m lb at three properties.

They are: the wholly-owned Boss Mountain mine in British Columbia, the *Mines* Gaspe division in Quebec and the 50.9 per cent-owned **Brenda Mines** *property in British Columbia*. The cutbacks will be achieved by reductions in ore tonnage mined and by the processing of lower grade ore.

Other companies that have recently announced cutbacks in molybdenum output are America's **Duval Corporation** which plans shutdowns for the *first quarter of next year and* Canada's **Placer Development** which is to reduce 1982 production by some 25 per cent to an annual rate of 8.5m lb from the current level of 11m lb.

Placer's full production capacity is 15m lb per year but its unsold stocks of the metal have risen to around 11m lb. The company has said that western world consumption of molybdenum is expected to be about 165m lb compared with earlier estimated production levels of 215m lb.

This year alone prices of molybdenum on the free market have rather more than halved and are currently around $3.70 per lb and still slipping. Producer prices are being held at considerably higher levels but the weakness of the free market *is causing the leading producers* considerable concern.

Growing demand for molybdenum outstripped supplies in 1973 and the imbalance persisted until last year when the metal's major customer, the world steel industry, went into decline. The situation has been aggravated by the fact that the earlier *shortages of molybdenum had* resulted in the development of new production capacity, much of which has now come to fruition.

America's **Amax** has postponed for at least two years the development of its new Mount Emmons mine in Colorado. *This* deposit is one of the largest in the world and contains an estimated 155m tons of molybdenum ore with a good grade of 0.44 per cent molybdenum disulphide.

Last year molybdenum, nickel, tungsten and speciality metals provided half the operating pre-tax profits of Amax. Thanks to good revenue from the diversified group's other interests such *as coal, oil and gas*, aluminium and iron ore. Amax earnings this year have been cushioned to some extent.

Even so, they have fallen to $217m (£116m) for the first nine months from $382m in the same period of 1980 which was a record year. Earnings seem likely to fall further in the current quarter and, as far as molybdenum is concerned, the outlook for the first quarter of *1981 is clouded by the possibility* of a further decline in steel production.

Rights by Gencor subsidiary

SOUTH AFRICA'S **Griqualand Exploration and Finance Company** (Gefco), part of the Gencor group, plans to raise R17.9m (£9.6m) through a rights issue next January.

Gefco is to issue 8.96m shares at 200 cents a share in the ratio of three-for-four. The new shares will not rank for the 15 cents dividend declared by the company on *December 2 in* respect of the year to December 31.

Gefco said yesterday that the funds will be used to satisfy the cash component of the R43.7m purchase price for the important asbestos interests of **Transvaal Consolidated Land and Exploration** (TCL), part of the Barlow Rand group.

This deal, giving Gefco control of the currently depressed inter*national* market for non-chrysotile asbestos, was agreed last month, with R13.7m to be paid in cash and a further R30m to be settled by the transfer of a portfolio of listed investments valued at R30m.

The share component of the purchase price will be satisfied by Gefco's parent, Gencor, which holds 51 per cent of the capital. In exchange, Gencor will receive a further 15m Gefco shares, lifting the combined interest of Gencor and its investment company Sentrust in the enlarged Gefco to 78.2 per cent.

The balance of R4.2m of the rights issue proceeds will be used to *strengthen Gefco's* working capital.

Gencor is expected to take up its full entitlement to the rights issue.

Arckaringa boost for Meekatharra

THE SHARES of Australia's **Meekatharra Minerals** jumped 25p to a high for the year of 495p in London on Monday, following the announcement at the annual meeting in Sydney of huge coal reserves at the Arckaringa Basin deposit *in South Australia*.

Mr Don O'callaghan, Meekatharra's chairman, told the meeting that reserves of steaming coal now total a "staggering" 5.5bn tonnes, with 70 per cent of *the company's* area still unexplored.

Meekatharra has as yet made *no calculation of recoverable* reserves, as the mining methods to be used have not been decided. Preliminary studies suggest that some seams will eventually be mined by open-cut methods alone, while others will require a combination of open-cut and underground techniques.

The studies indicate that the development of the Arckaringa Basin deposits is possible, and the company's consulting *mining* engineers have recommended a full-scale feasibility study, Mr O'Callaghan said.

The latest reserve estimates are based on drilling at the *company's new area EL 786*, which delineated 1.5bn tonnes of coal said to be suitable for power generation or as a synthetic fuel feed.

Shareholders were also told that results from three other areas, which should be available in four to five weeks' time, *indicate a further 4bn* tonnes, against earlier estimates of 2.4bn tonnes.

Mr O'Callaghan said that a bulk sample of the coal had been delivered to the South Australian Department of Mines and Energy, at their request, for despatch to Japan for liquefaction tests.

The shares closed at *460p*, down 35p, yesterday.

Baillie Gifford share offer undersubscribed

Applications have been received for only 70 per cent of the 9.95m shares of *Baillie* **Gifford Japan Trust** offered last week at 100p per share.

Clients of Phillips and Drew, brokers to the issue, had applied for 6.45m shares before the public offer was made. The balance of 2.95m shares will be taken up by the underwriters. The offer was underwritten by the British Linen Bank.

Carr's Milling at £750,000

Second-half taxable profits of **Carr's Milling Industries** fell from a restated £332,000 last time to £270,000, leaving the full year *figure to August 29, 1981* lower at £749,732, compared with £892,284. External sales for the 12 months dropped slightly from £35.09m to £34.77m.

The directors say, however, that current trading is satisfactory and they are *raising* the final dividend from 2.75p to 3p net for a total of 4.25p (4p)

THE TRING HALL USM INDEX
116.0 (−0.2)
close of business 15/12/81
BASE RATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 510-515 (+1)

OIL INDEX
January Refined $43.20
March Refined $42.50

Dollar easier

Dollar weakened in fairly thin pre-Christmas trading, with the situation in Poland and nervousness about interest rates continuing to dominate sentiment. The absence of any very bad news from Poland helped European currencies, particularly the D-mark, to recover against the dollar, although matters were complicated by sharp movements among the members of the European Monetary System. An easier trend in Eurodollar rates also depressed the U.S. currency.

Sterling showed slight gains against European currencies, and was firmer in terms of the dollar.

European currencies gained ground against the dollar, while sharp changes within the EMS took the Belgian franc from lowest place to the top of the system, and pushed the D-mark to the weakest position.

DOLLAR — Trade-weighted index (Bank of England) fell to 107.3 from 108.5. It fell to DM 2.2650 from DM 2.2835 against the D-mark; to SwFr 1.8325 from SwFr 1.8460 against the Swiss franc; to FFr 5.7225 from FFr 5.7750; and to Y217.40 from Y220.70.

STERLING — Trade-weighted index (Bank of England) rose to 89.9 from 89.6, after opening at 89.9 and falling to 89.8 at noon. The pound opened at $1.8750-1.8760, and fell to a low of $1.8700-1.8710. In the afternoon it touched a peak of $1.8880-1.8900, and closed at $1.8845-1.8860, a rise of 1.82½ cents on the day. Sterling rose to DM 4.27 from DM 4.2650; to FFr 10.7850 from FFr 10.78; and to SwFr 3.4550 from SwFr 3.4475, but fell to Y410 from Y412.50.

D-MARK — Showing a slightly firmer tendency compared with levels set after October's reshuffle of the European Monetary System. However, against the dollar the D-mark has steadily lost ground this month although it is still much firmer than levels touched earlier this year—The D-mark was weakened against most currencies, but gained ground against the dollar at the Frankfurt fixing. The Bundesbank sold $40.65m as the U.S. currency fell to DM 2.2776 from DM 2.2900. In the afternoon the dollar fell further to DM 2.2660. Sterling rose to DM 4.2740 from DM 4.2670 at the fixing, while within the EMS the Belgian franc rose sharply to DM 6.0190 per 100 francs

BELGIAN FRANC—In a dramatic turnround the franc has moved to the top of the EMS, after being the weakest member and falling outside its divergence limit. High interest rates, and the formation of a coalition Government after weeks of crisis helped the currency, but the major factor was a strong attack on speculators by the Belgian National Bank—The Belgian franc rose very sharply at the Brussels fixing. The dollar fell to BFr 37.58 from BFr 39.06 and sterling to BFr 70.94 from BFr 72.68. Heavy intervention by the central bank pushed the franc from the bottom of the EMS to the top, and although market operators suggested that the fundamental weakness remains, the currency came close to its maximum allowed value against the D-mark.

JAPANESE YEN — Little changed against the dollar after a reversal in U.S. interest rate trends. The earlier weakening of New York rates, coupled with Japan's strong trade position, led to a strengthening of the yen, but this was before the cut of ½ per cent to 5½ per cent in the Bank of Japan's discount rate—The yen improved against the dollar in calm Tokyo trading. It moved within a narrow band, with the U.S. currency falling to Y220.15 from Y222.70.

THE POUND SPOT AND FORWARD

Dec 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8700-1.8900	1.8845-1.8850	0.40-0.30c pm	2.23	0.93-0.83 pm	1.87
Canada	2.2310-2.2510	2.2475-2.2490	0.20-0.30c dis	−1.33	0.65-0.80dis	−1.29
Nethlnd.	4.65-4.68	4.66¾-4.67¾	1½-1¼c pm	4.18	5-4½c pm	4.07
Belgium	71.30-72.30	70.55-70.70	230-260c dis	−41.63	250-200dis	−15.29
Denmark	13.79-13.86	13.80-13.81	2½-1½ore pm	1.74	5½-4 pm	1.38
Ireland	1.1975-1.2050	1.2000-1.2020	0.25-0.37p dis	−3.10	0.82-1.04dis	−3.10
W. Ger	4.25½-4.29½	4.26½-4.27½	1¼-1¼pf pm	4.21	5-4½ pm	4.45
Portugal	121.75-124.00	123.75-123.55	20-190c dis	−10.27	50-400 dis	−7.29
Spain	182.60-183.90	182.90-183.10	20-50c dis	−2.29	70-125 dis	−2.13
Italy	2,275-2,290	2,278-2,280	14½-17½ lire dis	−8.42	45½-49½ dis	−8.34
Norway	10.83-10.90	10.88-10.89	8¾-10ore dis	−10.06	6¾-7¾ dis	−2.39
France	10.77-10.86	10.78-10.79	1-2c dis	−1.67	6¾-6¾ dis	−2.13
Sweden	10.45-10.51	10.49¼-10.50¼	2¾-1¼ore pm	2.14	8¼-7½ pm	3.09
Japan	408-414	409½-410½	3.20-2.90y pm	8.83	8.45-8.10 pm	8.07
Austria	29.85-30.10	29.90-29.95	16½-11½gro pm	5.61	44½-34½ pm	5.28
Switz.	3.43-3.47	3.45-3.46	1½-1¼c pm	5.21	4½-4¼ pm	5.35

Belgian rate is for convertible francs. Financial franc 82.70-82.80. Six-month forward dollar 1.25-1.15c pm, 12-month 1.45-1.25c pm.

THE DOLLAR SPOT AND FORWARD

Dec 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8700-1.8900	1.8845-1.8860	0.40-0.30c pm	2.23	0.93-0.83 pm	1.87
Ireland†	1.5695-1.5720	1.5690-1.5720	0.74-0.84c pm	5.27	2.00-1.90 pm	4.84
Canada	1.1930-1.1945	1.1938-1.1943	0.33-0.38c dis	−3.47	0.93-0.97dis	−3.18
Nethlnd.	2.4725-2.4915	2.4725-2.4775	0.49-0.39c pm	2.13	1.45-1.35 pm	2.26
Belgium	37.40-37.95	37.47-37.49	90-150c dis	−38.43	150-220dis	−19.75
Denmark	7.3325-7.3830	7.3350-7.3450	½-¼ore pm	0.61	0.10-0.40dis	−0.14
W. Ger.	2.2550-2.2800	2.2645-2.2655	0.46-0.40pf pm	2.28	1.54-1.48 pm	2.67
Portugal	65.40-65.80	65.40-65.56	30-110c dis	−12.83	70-240 dis	−9.47
Spain	97.10-97.75	97.10-97.15	25-35c dis	−3.71	75-95 dis	−3.50
Italy	1,209½-1,216½	1,210-1,212	11-12 Lire dis	−11.39	30-33 dis	−10.40
Norway	5.7720-5.7950	5.7730-5.7780	5-5¾ore dis	−11.17	5¼-6 dis	−3.89
France	5.7200-5.7850	5.7200-5.7250	1.65-1.85c dis	−3.64	5.80-6.10dis	−4.06
Sweden	5.5630-5.5900	5.5630-5.5680	0.15ore pm-par	0.16	1.80-1.85 pm	1.24
Japan	217.20-220.20	217.35-217.45	1.50-1.35y pm	7.88	4.20-4.05 pm	7.59
Austria	15.87-15.98	15.88-15.89	5¼-3¼gro pm	3.40	15-11 pm	3.27
Switz.	1.8160-1.8430	1.8320-1.8330	0.55-0.45c pm	3.27	1.68-1.58 pm	3.56

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Dec. 15	Bank of England Index	Morgan Guaranty Changes%
Sterling	89.9	−33.7
U.S. dollar	107.3	+1.0
Canadian dollar	88.0	−16.8
Austrian schilling	116.9	+24.8
Belgian franc	107.4	+10.8
Danish kroner	87.6	−9.9
Deutsche mark	121.9	+42.8
Swiss franc	152.2	+103.6
Guilder	114.7	+19.8
French franc	80.5	−14.7
Lira	56.4	−57.5
Yen	146.0	+40.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.620021	0.572058
U.S. $	12	1.15448	1.06288
Canadian $	15.18	1.38041	1.26808
Austria Sch.	6¾	18.5563	17.0693
Belgian F.	15	45.0940	41.5535
Danish Kr.	11	8.60088	7.93976
D mark	7½	2.64376	2.44145
Guilder	9	2.90352	2.67050
French Fr.	9½	6.72851	6.19874
Lira	19	1415.66	1302.03
Yen	5½	256.054	235.482
Norwgn. Kr.	9	6.71042	6.18333
Spanish Pta.	8	113.511	104.535
Swedish Kr.	11	6.49337	5.96225
Swiss Fr.	6	2.14791	1.98122
Greek Dr'ch.	20½	—	61.4932

OTHER CURRENCIES

Dec. 15	£	$		£ Note Rates
Argentina Peso	13,204-13,284†	7015-7035†	Austria	29.85-30.15
Australia Dollar	1.6675-1.6695	0.8820-0.8825	Belgium	81.75-83.75
Brazil Cruzeiro	235.01-236.01	124.80-125.42	Denmark	13.79-13.91
Finland Markka	8.256-8.288	4.3815-4.3835	France	10.80-10.92
Greek Drachma	105.885-108.920	57.45-57.65	Germany	4.26-4.30
Hong Kong Dollar	10.572-10.582	5.6150-5.6200	Italy	2260-2295
Iran Rial	148.50*	79.80*	Japan	411-416
Kuwait Dinar (KD)	0.525-0.531	0.2807-0.2812	Netherlands	4.65¾-4.69¾
Luxembourg Fr.	70.55-70.70	37.47-37.49	Norway	10.83-10.93
Malaysia Dollar	4.2320-4.2480	2.2475-2.2505	Portugal	120¾-129
New Zealand Dlr.	2.2825-2.2865	1.2075-1.2085	Spain	181½-191
Saudi Arab. Riyal	6.38-6.44	3.4190-3.4210	Sweden	10.45-10.55
Singapore Dollar	3.8630-3.8730	2.0520-2.0550	Switzerland	3.43½-3.47½
Sth. African Rand	1.8370-1.8390	0.9745-0.9755	United States	1.87-1.89
U.A.E. Dirham	6.85-6.91	3.6720-3.6740	Yugoslavia	88-93

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 20,734-20,774 and for the dollar 11,000-11,050. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	40.5908	−0.41	−1.08	±1.5368
Danish Krone	7.91117	7.92261	+0.14	−0.53	±1.6412
German D-Mark	2.40989	2.44999	+1.66	+0.99	±1.1077
French Franc	6.17443	6.20686	+0.53	−0.14	±1.3733
Dutch Guilder	2.66382	2.67894	+0.57	−0.10	±1.5063
Irish Punt	0.684452	0.689311	+0.71	+0.04	±1.6688
Italian Lira	1300.67	1309.03	+0.64	+0.64	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 15 ... 0.572016

EXCHANGE CROSS RATES

Dec. 15	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.885	4.270	410.0	10.785	3.455	4.668	2279.	2.248	70.65
U.S. Dollar	0.530	1.	2.265	217.5	5.721	1.833	2.476	1209.	1.193	37.46
Deutschemark	0.234	0.442	1.	96.02	2.526	0.809	1.093	533.7	0.527	16.54
Japanese Yen 1,000	2.439	4.598	10.41	1000.	26.30	8.427	11.38	5559.	5.484	172.3
French Franc 10	0.927	1.748	3.959	380.2	10.	3.204	4.328	2113.	2.085	65.48
Swiss Franc	0.289	0.546	1.236	118.7	3.122	1.	1.351	659.6	0.651	20.44
Dutch Guilder	0.214	0.404	0.915	87.84	2.311	0.740	1.	488.3	0.482	15.13
Italian Lira 1,000	0.439	0.827	1.874	179.9	4.732	1.516	2.048	1000.	0.987	30.99
Canadian Dollar	0.445	0.839	1.899	182.4	4.797	1.537	2.076	1014.	1.	31.41
Belgian Franc 100	1.416	2.669	6.046	580.5	15.27	4.892	6.609	3227.	3.183	100.

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 15)

3 months U.S. dollars		6 months U.S. dollars	
bid 13 3/8	offer 13 1/2	bid 14	offer 14 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅞-15	11⅝-11⅞	15-16	10⅞-11	4-4½	10¼-10⅜	15⅝-15⅞	18-20	—	6⅛-6⅜
7 days' notice	15-15¼	11¾-12	15-16	11-11⅛	4-4½	10¼-10⅜	15⅝-15⅞	21-24½	—	6⅛-6⅜
Month	15⅝-15½	13-13¼	16⅝-16¾	11⅛-11¼	9⅝-10	10⅞-11⅛	16⅜-16⅝	22-23⅝	—	6⅝-6⅞
Three months	15⅞-15⅞	13⅛-13⅜	16⅝-17	11⅛-11⅛	9⅞-9⅞	10⅞-10⅞	17½-17¾	23¼-24¼	—	6⅞-7
Six months	15⅞-15⅞	13⅞-14⅛	16⅝-17	11⅛-11⅛	9½-9⅝	10⅝-10¾	18⅜-18⅝	23⅝-24⅜	—	6⅞-7
One Year	15¼-15½	14⅛-14⅜	16⅝-17	11⅛-11¼	8¾-8⅞	10¼-10⅜	18½-19	23¾-24¾	—	6⅞-7

SDR linked deposits: one-month 12⅛-12⅜ per cent; three months 12⅞-12⅞ per cent; six months 12⅞-13⅛ per cent; one-year 13⅛-13⅜ per cent.

ECU linked deposits: one-month 14⅝-15 per cent; three months 14⅞-15⅛ per cent; six months 14⅞-15⅛ per cent; one-year 14⅞-15⅛ per cent.

Asian $ (closing rates in Singapore): one-month 13⅛-13⅜ per cent; three months 13⅜-13⅞ per cent; six months 13⅞-13⅞ per cent; one year 14½-14⅝ per cent. Long-term Eurodollar two years 15-15⅛ per cent; three years 15⅛-15⅜ per cent; four years 15¼-15½ per cent; five years 15⅛-15⅝ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 12.60-12.70 per cent; three months 12.95-13.05 per cent; six months 13.45-13.55 per cent; one-year 13.90-14.00 per cent.

MONEY MARKETS

Extreme shortage

London clearing bank base lending rates 14½ per cent (since December 4)

The London money market faced a shortage of around £700m yesterday according to the Bank of England forecast, with bills maturing in official bands draining £300m and Exchequer transactions £340m. There was also an increase in the note circulation of £150m. Assistance in the morning totalled £496m and included purchases of bills in band 4 (65-91 days) for the first time since the introduction of the new monetary control system in August. The Bank bought £9m of eligible bank bills in band 1 (up to 14 days) at 14⅝ per cent and in band 2 (15-33 days) £8m of Treasury bills at 14⅝ per cent and £83m of eligible bank bills at 14⅝ per cent.

In band 3 (34-63 days) it bought £25m of Treasury bills at 14⅝ per cent, £2m of local authority bills at 14⅝ per cent, and £287m of eligible bank bills at 14⅝-14⅞ per cent. In band 4 it bought £10m of local authority bills at 14½ per cent and £74m of eligible bank bills at 14½-14⅝ per cent. Further help in the afternoon totalled £261m, making a grand total of £757m. The Bank bought in band 2 £7m of Treasury bills at 14⅝ per cent, £5m of local authority bills at 14⅝ per cent and £35m of eligible bank bills at 14⅝ per cent. In band 3 it bought £30m of Treasury bills at 14⅝ per cent, £28m of local authority bills at 14⅝ per cent and £82m of eligible bank bills at 14⅝ per cent. In band 4 it bought £31m of Treasury bills at 14½ per cent and £43m of local authority bills at 14½ per cent.

In the interbank overnight funds opened at 15-15¼ per cent and rose on the forecast to 15¼-15½ per cent. Rates had eased to 13½-14 per cent by early afternoon but rose once more to 14¼-14½ per cent before finishing at 5-7 per cent. The size and content of the official intervention tended to underline the Bank's apparent determination to keep short-term rates at around current levels and longer-term rates reflected the market's feeling of reassurance by easing slightly. However, there is still a good deal of uncertainty in the market as shown by prime paper yields out to one year being virtually flat.

In Brussels the Belgian National Bank raised the interest rates on one-, two- and three-month Treasury bills to 16 per cent from 15½ per cent. The notes were last increased on Monday by ½ per cent on one-month and ¼ per cent on two- and three-month following a further half point rise last Friday. This together with a recent two-point rise in the discount rate to 15 per cent appears to have eased pressure on the hard pressed Belgian franc within the European Monetary System.

GOLD

Slight fall

Gold fell $4 to $414-415 in the London bullion market yesterday. It opened at $415-416, the highest level of the day, and was fixed at $413.25 in the morning and afternoon. The metal touched a low point of $412-413 around lunchtime.

In Paris the 12½ kilo gold bar was fixed at FFr 78,000 per kilo ($420.82 per ounce) in the afternoon, compared with FFr 78,000 ($419.45) in the morning, and FFr 79,200 ($422.68) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 30,395 per kilo ($414.98 per ounce), compared with DM 31,010 ($421.00), and finished at $413-414, against $417-418.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $414 per ounce, against $421.5.

In Zurich gold closed at $412-$415, compared with $417-420.

	Dec. 15		Dec. 14	
Gold Bullion (fine ounce)				
Close	$414-415	(£219-219½)	$418-419	(£224¾-225¼)
Opening	$415-416	(£221¼-213¾)	$421-422	(£225-225½)
Morning fixing	$413.25	(£220.142)	$419.25	(£223.859)
Afternoon fixing	$413.25	(£219.580)	$417.50	(£224.585)
Gold Coins				
Krugerrand	$427-428	(£226¼-226¾)	$435-432	(£231½-232)
1/2 Krugerrand	$220-221	(£116½-117)	$222-223	(£119¼-119¾)
1/4 Krugerrand	$112-113	(£59½-60)	$113-114	(£60¾-61¼)
1/10 Krugerrand	$45¾-46¾	(£24¼-24¾)	$46¼-47¼	(£24¾-25¼)
Mapleleaf	$427½-428½	(£226¾-227¼)	$432-434	(£232-233)
New Sovereigns	$101¾-102¼	(£54-54¼)	$102½-103	(£55-55¼)
King Sovereigns	$115-116	(£61-61½)	$116-117	(£62½-63)
Victoria Sovs	$115-116	(£61-61½)	$116-117	(£62½-63)
French 20s	$100-110	(£53-58¼)	$101-111	(£54¼-59½)
50 pesos Mexico	$512-515	(£271½-273)	$517-520	(£277¾-279¼)
100 Cor. Austria	$402-406	(£213¼-215¼)	$406-410	(£218-220¼)
$20 Eagles	$509-514	(£269¾-272½)	$509-514	(£273¼-276)

LONDON MONEY RATES

Dec. 15 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	15-15½	15-15⅛	—	—	14½-15	13⅛-14⅛	—	—	—
2 days notice	—	—	15⅛-15¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15-15⅜	15⅛-15⅛	—	—	15½-15⅝	14⅛-14½	—	—	—
One month	15⅞-15¼	15⅛-15⅞	15⅛	16-15¾	15⅞	15¾	14⅛	14⅞-14½	14⅞	15¼
Two months	15⅞-15⅞	15⅞-15⅝	—	16-15¾	15½	15¼	14½	14⅞-14¼	14⅞	15½
Three months	15⅞-15⅞	15⅞-15¾	15⅝	16-15¾	15⅞	15⅞	14⅛	14⅛	14⅞	15⅜
Six months	15⅝-15¼	15⅛-15⅞	15⅝	15-14¾	15½	—	—	—	14½-14⅝	15⅞
Nine months	15⅝-15¼	15⅜-15½	—	15⅝-15⅜	15½	—	—	—	—	—
One year	15⅝-15¼	15⅛-15½	15½	15⅝-15⅜	15½	—	—	—	—	—
Two years	—	—	15½	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15⅞ per cent; four years 15⅞ per cent; five years 15⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅝ per cent; four months trade bills 15⅝ per cent.

Approximate selling rate for one-month Treasury bills 14⅞-14½ per cent; two months 14⅞-14½ per cent; three months 14½ per cent. Approximate selling rate for one month's bank bills 14⅞ per cent; two months 14⅞ per cent and three months 14⅞ per cent; one-month trade bills 15½ per cent; two months 15⅝ per cent; three months 15⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association): 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12⅞-12½ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rates of discount 14.5801.

MONEY RATES

NEW YORK

Prime rate	15½-15¾
Fed. funds	12¾-12¾
Treasury bills (13-week)	10.86
Treasury bills (26-week)	11.42

GERMANY

Special Lombard	10.50
Overnight rate	10.55
One month	11.30
Three months	10.85
Six months	10.60

FRANCE

Intervention rate	15.125
Overnight rate	15.875
One month	15.625
Three months	15.825
Six months	15.625

JAPAN

Discount rate	5.5
Call (unconditional)	6.4375
Bill discount three-month	6.78125

APPOINTMENTS

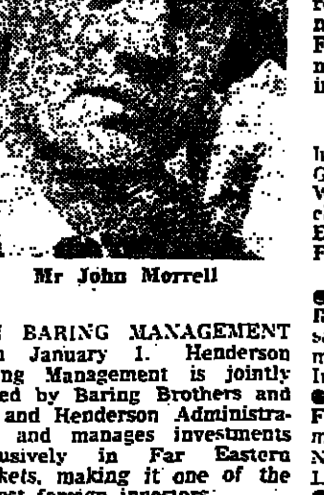
Board changes at Guinness

Mr Simon D. R. Lennox-Boyd and Mr Anthony J. R. Purssell have been appointed deputy chairmen of ARTHUR GUINNESS SON AND COMPANY. Viscountess Boyd will retire from the board after the annual meeting on February 4, and Mr Michael B. Ogle will retire from the board on December 31. Mr Ernest W. Saunders, who was appointed managing director on October 1, has assumed full responsibility for the day-to-day management of the group.

*

CASTLE COURT TRUST has been formed with the following board structure: Mr P. C. Izard, chairman; Mr A. F. B. Williams, managing director; Mr M. S. Reynolds and Mr J. A. F. Luttrell, non-executive directors. Main object of Castle Court is to conduct a broad range of banking services and the Bank of England has granted a full licence as a deposit taker. The company has been formed by its managing director, Mr Williams, who was previously chief executive (UK) of the Banque du Rhone et de la Tamise. The chairman, Mr Izard, has recently retired as assistant general manager of Williams and Glyn's Bank.

*



Mr John Morrell

Mr John Morrell has been appointed chairman of HENDERSON BARING MANAGEMENT from January 1. Henderson Baring Management is jointly owned by Baring Brothers and Co. and Henderson Administration and manages investments exclusively in Far Eastern Markets, making it one of the largest foreign investors.

See Men and Matters on Page 16.

*

Mr N. Sherwood, Mr O. Newell and Mr J. Armstrong will be appointed to the board of WILLIAM PRESS GROUP from January 1. Mr Sherwood and Mr Newell are currently directors of several group subsidiaries. Mr Armstrong joined the group last year.

*

Mr Michael J. Smith has resigned from his position as non-executive director of FRANCIS PARKER to devote more time to his other interests in the Leicester area.

*

The following appointments have been made to the board of GEORGE OLIVER (FOOTWEAR): Mr C. R. Hilton, vice-chairman; Mr S. P. Hilton, Mr E. M. Rowley and Mr J. S. Furnival, directors.

*

● GUSTAR has appointed Mr Reto G. Gaudenzi as director of sales and marketing and as managing director for Swiss International Hotels, Zurich.

● Dr M. Baltensperger and Dr A. Frings have been appointed managers of the SWISS NATIONAL BANK from January 1.

● Mr C. E. Russell has resigned as chairman of ARAN ENERGY. He is succeeded by Sen Eoin Ryan, who is chairman of New Ireland Assurance Company and a director of many other companies including Aran Energy's subsidiaries Ocean Inchcape Ireland and Aran Aker.

● Mr Lee Dupay, a vice-president of Dow Europe and regional general manager for Yugoslavia since 1980, will assume responsibility for DOW's Italian region including the Lepetit Pharmaceutical business, from January 15. He will retain his responsibilities in Yugoslavia. Mr Roberto Sabbioneda, who was recently named managing director of Dow Chemical, industrial chemicals arm of the company in Italy, continues as general manager for Italian operations, including pharmaceuticals, reporting to Mr Dupoy.

● GENERAL MOTORS OF CANADA, a General Motors Corporation Unit, has appointed Mr Donald E. Hackworth as president and general manager, succeeding Mr James Rinehart, who recently resigned. Mr Hackworth, also elected a vice president of General Motors Corporation, was general manufacturing manager of GM's Oldsmobile division.

*

Mr Desmond Craigen resigns from the board of the AIRCLAIMS GROUP on December 31. Mr Leslie Sage and Mr Geoffrey Bowler become chairman and deputy chairman respectively on January 1. Mr Peter Dugdale has joined the board and Mr David Proudlove continues as managing director.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations ... US$45.28 −0.53 1.81

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund ... £14.11 14.12

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741

Eurolux Investments Ltd.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

VW postpones start of second U.S. plant

BY KEVIN DONE IN FRANKFURT

VOLKSWAGEN, West Germanys' biggest motor group, has postponed indefinitely the start-up of its new U.S. assembly plant at Sterling Heights, Detroit, as a result of deep recession in the U.S. car market.

Production at the new plant, which involves an investment of due to begin next year. The start-up has been put back to "1983 at the earliest," VW said yesterday. "Output will only begin when market conditions allow."

VW's first U.S. assembly plant at Westmoreland, opened in 1978 at a cost of DM 500m ($223bn), is itself running well below capacity. The company said yesterday that production would be cut again from the middle of January to 865 cars a day from the current 940 a day.

Volkswagen ran up losses of DM 89m in the U.S. last year. In recent weeks it is understood to have again been operating at a oss and it is unlikely to do more than break even in the U.S. in 1981.

Strategically Volkswagen has been aiming in the medium term at taking around 5 per cent of the U.S. car market. U.S. car sales overall have fallen far below the 10m units a year forecast, however, which has thrown VW well off course in reaching its target

This year the VW group's total sales in the U.S. have fallen by about 3 per cent from the 1980 level of 336,000. Crucially, the main decline of more than 6 per cent has come in sales of the locally-produced Rabbit model.

Meanwhile, Volkswagen is to press ahead with its long-standing plans to set up a small assembly plant in Ecuador, although the project has been considerably scaled down since the plans were first announced in 1978.

U.S. bankers ease terms for AM International

BY OUR NEW YORK STAFF

AM INTERNATIONAL, the financially distressed Chicago office equipment company, said yesterday that its 20 U.S. bankers have agreed to ease the terms of its $109m revolving credit agreement.

The new agreement will give AM International more time to repay loans on which it defaulted. It also allows the company to defer interest above 15 per cent on its loans for seven years, giving the banks the option to convert this interest into common stock if they wish.

AM will also be allowed to retain the first $18m in proceeds from its proposed divestiture of seven divisions, with the aim of reducing its debts. But the Chicago group must also abide by certain conditions, including not paying dividends during the term of the agreement.

AM said it has reached a similar agreement with its Canadian bankers, and is negotiating amendments to its $13m worth of debt in the UK.

15% limit on Power holding in CanPac

By Robert Gibbens in Montreal

POWER CORPORATION, the Canadian financial services and resources group, will limit its "significant" investment in Canadian Pacific Limited to 15 per cent.

Power had originally sought to buy 20 per cent of CanPac Limited. But under an agreement reached between the two companies it will now settle for 15 per cent. Power currently owns 6.4 per cent of CanPac Ltd, two-thirds of which (4.4 per cent) it acquired for C$174m.

Under the agreement, which is for 10 years, Power can increase its holding beyond 15 per cent only if there is a takeover bid for CanPac or another shareholder acquires more than 10 per cent of CanPac Ltd.

The agreement covers shares to be held by the Power Corporation group of companies and the group's chairman, Mr Paul Desmarais.

Mr Desmarais will join the board of CP Ltd next year and a second Power Corporation representative will join the board in 1983. Mr Desmarais will also join the CP Ltd board's executive committee.

CP Ltd will have the right of first refusal if Power decides to sell its CP holdings.

Lukens Steel in $60m takeover

By Our New York Staff

LUKENS STEEL, a manufacturer of heavy steel plate with sales of about $400m a year, plans to take over General Steel Industries, a Missouri-based maker of industrial equipment.

Lukens is offering $16 a share for the outstanding stock of General Steel, giving the deal a value of about $60m. General Steel has agreed to the merger.

Mitsubishi Chemical to buy Exxon unit

BY PAUL BETTS IN NEW YORK

MITSUBISHI CHEMICAL Industries, the U.S. holding company of the Japanese company, is to buy the assets of Optical Information Systems (OIS), a division of Exxon Enterprises, the office systems and electronics subsidiary of the Exxon oil company.

Although the sale price of about $7m is modest, the deal is significant in that it reflects the current efforts by Exxon to reorganise its high technology operations which have proved a disappointment to the oil company.

In an attempt to diversify into the high technology and office automation sector, Exxon has bought over the past 10 years a number of small high technology businesses to build up its Exxon Enterprises division.

Exxon is also extensively reorganising its office systems subsidiary, which is part of Exxon Enterprises and makes word processors, electronic typewriters and low price facsimile machines. This has recently involved a major cut in work force from some 6,000 to 4,000 employees and the shut down of one facsimile machine manufacturing plant in Florida.

Exxon's office systems division is currently operating heavily in the red. The current re-organisation is designed to bring it back in the black by the final quarter of next year.

Mitsubishi said yesterday the acquisition of the Exxon subsidiary would provide it with an entry into the opto-electronics market. The Japanese company already produces chemicals and photoconductors used for printing and copying and in phosphors used for cathode ray tube displays.

Eurobond prices firmer

BY ALAN FRIEDMAN

PRICES OF fixed-interest Eurodollar and Euro D-Mark bonds picked up slightly last night as short-term interest rates fell and the New York bond market staged a small recovery. Eurodollar bonds closed up ⅛ point, largely on the back of New York. Traders said the fall in six-month Eurodollar deposit rates to 14 per cent was encouraging, but the market's volume remains thin.

UK pension funds and other institutions are said to be swapping from short-term to longer-term maturities with higher yields. "They are moving out along the yield curve," reported one London trader.

Dealers are avoiding any heavy involvement in Eurodollar bonds in view of the impending holiday.

The brightest spot of news yesterday was the increase of the $60m Pacific Gas and Electric seven-year issue to $80m. While many other issues continue to trade in the middle 90s, this one is quoted at 99½.

In the Euro D-mark sector, prices gained ¼ point despite continuing investor fears about Poland but volume was thin.

Prices in the Swiss franc foreign bond sector were marked up around ¼ point as the Swiss currency improved against the U.S. dollar.

In Zurich, the SwFr 80m privately-placed convertibles for Anritsu Electric were priced at par with a coupon of 5¾ per cent. Lead manager is Swiss Bank Corporation, which also reported the pricing last night of the SwFr 75m Pemex issue at par with an 8¼ per cent coupon.

● A KD 30m 7-year issue with a 12½ per cent coupon was launched for Rashtriya Chemicals and Fertilisers through Kuwait International Investment.

Steady growth at Eulabank

By Peter Montagnon, Euromarkets Correspondent

EULABANK, the consortium bank specialising in Latin American finance, has reported an increase in pre-tax profit to £9.8m ($18.3m) in the year ended September 30 from £7.6m in 1979-80.

The bank's loan portfolio increased to £456m from £302m, including £115m ($86m) of loans maturing in less than one year, but the bank said in its annual report that a large portion of the increase reflects the decline of sterling against the U.S. dollar in which the bank does most of its business.

The true underlying rate of business growth was around 20 per cent. the report says.

During the year Eulabank increased its paid-up capital by £3.9m to £16.9m, on which a 6 per cent dividend is being paid.

Mr George Gunson, general manager, said margin income still makes up 90 per cent of the bank's earnings but it has been working hard to increase fee income which rose 40 per cent last year. The average margin on the bank's Eurocredit Portfolio rose slightly to 1.04 per cent from 1.02 per cent during the year.

Fluor earnings up by 20%

FLUOR, one of the world's largest construction engineering companies, has increased net annual earnings by 20 per cent, from $131.9m to $159.2m on revenue 25 per cent higher at $6.07bn.

At the per share level, earnings equalled $2.83, against $2.73 previously on considerably fewer shares in issue, with the fourth quarter contributing 84 cents against 65 cents.

New orders received by the group totalled $7.25bn against $9.32bn a year earlier, but the order backlog is up from $16.09bn to $16.39bn.

The group states that earnings from St Joe Minerals, which it bought for $2.34bn last spring, will be better in fiscal 1982 than in 1981. St Joe will benefit from a full year of oil production from the Buchan field in the UK sector of the North Sea.

Deutsche BP going into red

By Our Frankfurt Staff

DEUTSCHE BP, the West German subsidiary of British Petroleum, will have an operating loss of between DM 600m ($270m) and DM 700m for 1981, Dr Helmuth Buddenberg, the chief executive, said yesterday. In 1980, net earnings were DM 13m, down from DM 198m in 1979.

Most of the losses were accumulated in the first eight months of the year as oil companies came under heavy pressure from the prolonged weakness of the D-mark against the U.S. dollar.

Oil groups pushed through a series of eight petrol price increases in this period, but these failed to make up the big increase in the cost of imported crude oil.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday January 12.

Closing prices on December 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Bush 16½ 88	100	100¾	101¼	0	−1⅛	15.22
APS Fin. Co. 17¾ 86	60	102	102½	+0⅛	−1⅝	16.48
Armco O/S Fin. 15⅞ 86	50	99	99½	+0½	−0¾	15.59
Bank Montreal 16¾ 91	150	100⅛	100⅝	0	0	16.16
Br. Colum. Hyd. 16¾ 88	100	102⅛	102⅝	+0⅛	−0½	15.63
Br. Colum. Mfg. 17 97	54	102¾	103¼	0	−1⅛	16.43
Can. Nat. Rail 14⅜ 91	100	95⅝	96⅛	−0¼	−1½	15.46
Caterpillar Fin. 16½ 86	100	102⅛	102⅝	+0⅛	−0⅜	15.73
CFMP 16¾ 96	100	102⅜	102⅞	+0⅛	−0⅜	16.26
CIBC 16¾ 91	100	102⅞	103⅜	−0⅛	−1½	16.06
Citicorp O/S 16¾ 86	150	103⅛	103⅝	−0¼	−1⅞	15.65
Cities Service 17 88	150	103⅜	103⅞	+0⅛	−1⅛	16.02
Con. Illinois 14½ 84	100	98⅞	99⅜	+0⅛	−0⅛	15.07
Cons.-Bathurst 17½ 88	60	102¼	102¾	+0¼	−1	16.84
CPC Fin. 16¾ 86	50	103⅝	104⅛	−0⅛	−1½	15.47
Dupont O/S 14½ 88	400	98	98½	+0⅛	−0⅜	14.91
EIB 16½ 88	100	102¼	102¾	+0⅛	−0½	15.81
EIB 16¾ 91	100	103⅛	103⅝	−0⅛	−1⅛	16.02
GMAC O/S Fin. 16½ 84	300	100⅝	101⅛	+0⅛	−1⅜	16.04
Gulf States O/S 17½ 88	60	103¾	104¼	0	−1½	16.43
IBM Wld. Trade 14¾ 85	60	101⅝	102⅛	0	−0⅜	13.97
Nat. Bk. Canada 16½ 88	40	99⅞	100⅜	+0⅛	−1	17.13
New Brunswick 17 88	60	103¾	104¼	−0¼	−1	15.94
Newfoundland 17¾ 89	60	105⅝	106⅛	0	−1	15.84
New. & Lab. Hy. 17¼ 89	75	103⅛	103⅝	+0⅛	−1⅛	16.44
Ohio Edison Fin. 17½ 88	75	101⅜	102⅛	+0⅛	−0⅞	16.94
OKG 15¾ 97	50	97⅝	98⅛	0	−0⅜	16.12
Ontario Hyd. 16 91 (N)	200	101	101½	+2⅜	+2	15.73
Pacific Gas Elec. 16 88	75	100⅞	101⅜	0	−1½	15.65
PSNH Int. Fin. 17 86	30	102⅛	102⅝	+0⅛	+0½	16.15
Quebec Hydro. 17¼ 91	150	105	105½	0	−1⅛	16.11
Quebec Province 15¾ 89	150	96¾	97¼	−1½	−1½	15.94
Saskatchewan 16¾ 88	100	100⅝	101⅛	0	−1⅛	15.98
Shell Canada 15¾ 91	100	102⅞	103⅜	−0¼	−1⅜	15.08
Sweden 14½ 88	150	95	95½	—	—	15.66
Swed. Ex. Cred. 16½ 90	75	100⅞	101⅜	0	−0⅞	16.25
Tenneco Int. 17 89	100	104⅛	104⅝	−0⅛	−1	15.93
Transcanada 17¾ 88	75	104¼	104¾	−0⅛	−1½	16.53
Transcanada 16 88	100	98¼	98¾	0	−1⅛	16.34
Walt Disney 15¾ 86	100	101¼	101¾	−0¼	−0⅞	15.21
Winnipeg 17 86	50	103½	104	−0¼	−1¼	15.78
World Bank 16 86	210	101¼	101¾	0	−0⅞	15.42
World Bank 16 88	80	101⅝	102⅛	+0½	−0⅛	15.45
World Bank 16½ 88	130	102⅝	103⅛	0	−0⅜	15.51
World Bank 16½ 88	100	102¾	103¼	+0⅛	−0⅜	15.70

Average price changes. On day +0⅛ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99½	100¼	+0⅛	−0¼	10.00
Asian Dev. Bank 10¾ 89	100	101⅝	102⅜	+0⅛	−0⅛	10.35
Austria Rep. of 8¾ 92	150	92⅛	93⅛	+0¼	−0¼	9.34
Belgelectric 11 91	100	101	101½	0	−0⅜	10.77
CECA 10 91	120	101⅜	102⅛	0	−0½	9.69
Council of Europe 10 91	100	100¼	101	+0⅛	+0⅛	9.88
Cncl. of Europe 10¾ 9-	100	100⅝	101⅛	0	0	10.12
EIB 8½ 90	270	94⅛	94⅞	0	−0⅛	9.44
EIB 10½ 91	200	102¾	103½	+0½	+0¼	9.95
ESCOM 9¾ 87	100	95½	96¼	+0⅛	−0⅞	10.21
Finland, Rep. of 10 89	100	99⅝	100⅜	+0¼	+0¼	9.99
Ind. Bk. Finland 8½ 90	50	91⅜	92⅛	+0⅜	+0⅞	9.86
Int.-Am. Dv. Bk. 10 91	100	100⅛	100⅞	0	0	9.90
Japan Air Lines 8⅜ 87	100	95⅜	96⅛	+0¼	−0½	8.99
Japan Dev. Bk. 7⅝ 87	100	93½	94⅛	+0½	+0½	9.06
Midland Int. Fin. 8½ 90	180	93¾	94½	+0¾	−0½	9.53
Mt. Bk. Dnmk. 10½ 91	100	99⅞	100⅝	+0⅛	+0⅞	10.45
Nat. West. 11 91	125	104¾	105¾	+0¼	0	10.20
OKB 10⅛ 91	150	100½	101	+0¼	−0⅜	9.99
Renault Accept. 10¾ 86	150	100¼	100¾	−0⅛	−0½	10.57
Swed. Ex. Cred. 10¼ 91	100	99⅛	99⅝	+0⅛	−0⅜	10.35
Venezuela, R. of 9¾ 90	150	94⅛	94⅞	0	−0⅛	10.73
World Bank 11 91	100	103¾	104½	0	−0⅛	10.29

Average price changes. On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94¼	94¾	0	−1¾	7.32
Asian Dev. Bank 8 90	80	102	102½	+0⅛	−1⅛	7.64
BFCE 6½ 91	100	96¾	97	+0½	+1¼	6.97
Belgelectric Fin. 7¼ 91	100	102	102¼	0	−1⅛	7.42
Bell Canada 7¼ 93	100	103⅞	104⅛	+0½	−1⅛	6.75
Bergen, City of 6¾ 91	40	†100¼	100½	+0⅛	+0⅛	6.69
Bat. de Autopistas 8 90	50	100½	100¾	+0½	−0⅛	7.90
CECA 6¾ 91	80	99¾	99¾	0	−0⅞	6.85
Dome Petroleum 5¾ 91	100	94½	94¾	+0½	−0⅞	6.56
Dome Petroleum 7¼ 90	100	103¼	103½	+0⅞	−0¾	6.71
Franc. Petroles 6½ 91	80	†95¼	95½	+0⅛	+0¼	7.19
Genstar 7 91	100	102⅛	102⅜	+0¾	−0¼	6.66
Int. Amer. Dv. Bk. 7 91	100	98½	99	0	−0¾	7.18
I/S Elsam 8½ 91	60	104¼	104½	+0¼	−0⅞	7.84
Japan Air Lines 7¼ 91	100	103¼	103½	+0¾	−1	6.77
Neder. Gasunie 8 91	100	105¾	106	+1⅛	−1⅛	7.15
OKB 7 93	100	100½	100¾	+0⅛	+0⅛	6.93
OKB 7¼ 91	100	100¾	101	+0¾	−1	7.12
Oslo, City of 8 91	100	104⅝	104⅞	−0⅛	−1¼	7.31
Saint Etienne 8½ 91	20	104⅛	104¾	+1	+0⅛	7.81
Swed. Ex. Credit 7¼ 91	75	97¾	98	+0⅜	−0¼	7.57
TNT O/S Fin. 8 91	50	104	104½	+0⅜	−0⅞	7.38
Unilever NV 7½ 93	100	104¾	105	0	−0⅞	6.88
World Bank 6 91	100	94	94¾	+0¾	+0⅞	6.88
World Bank 7 90	100	100⅛	100⅜	+0¾	−0⅜	6.95
World Bank 8 91	100	†104¼	104½	−0¼	−2	7.36

Average price changes. On day +0⅛ on week −0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	99⅝	100⅜	0	+0¼	8.26
Australia 8½ 88	20	90⅝	91⅝	−0⅛	+1⅛	8.34
EIB 7¾ 88	12	98	99	0	+0⅞	8.01
Finland, Rep. of 8¼ 87	15	99	100	0	+0¾	8.47
Int.-Amer. Dev. 8⅞ 91	15	101⅛	102⅛	0	+0½	8.58
New Zealand 8⅛ 87	15	99⅞	100⅞	0	+0½	8.27

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 86 C$	50	†98	98½	+0¼	+0¼	17.33
Federal Dev. 17¾ 86 C$	40	†104½	105½	−0½	−1½	16.15
GMAC (Can.) 18 87 C$	80	†104	105	+1½	0	16.67
Pancanadian 16½ 88 C$	65	†98	98½	0	0	16.95
Queb. Urban 16¾ 86 C$	20	†100	101	−0½	−0½	16.60
Reynat 17¼ 88 C$	40	†100	100½	−0¼	−0¼	17.17
Tordom Cpn. 13½ 85 C$	30	†94	95	+0½	−2	15.80
M. Bk. Dnmk. 9 91 EUA	25	83	84¼	+0⅛	+2¼	[illegible]
SOFTE 8¾ 89 EUA	40	78⅝	80	−0⅛	[illegible]	[illegible]
U. Bk. Nwy. 9½ 90 EUA	18	90½	91¾	−0⅛	[illegible]	[illegible]
Algemene Bk. 10¼ 86 Fl	60	97⅞	98⅜	+0⅛	[illegible]	[illegible]
Amfas Group 12¾ 86 Fl	40	102	102½	+1	[illegible]	[illegible]
Amro Bank 12 86 Fl	75	101⅛	102¼	+0⅛	[illegible]	[illegible]
Amro Bank 12 86 Fl	60	101⅛	101⅝	+0⅛	[illegible]	[illegible]
Heineken NV 10 87 Fl	100	95¾	96¼	+0⅛	[illegible]	[illegible]
Pierson 10¾ 86 Fl	50	97⅛	97⅝	+0¼	[illegible]	[illegible]
Rabobank 12 86 Fl	50	101	101½	+0¼	+0⅛	[illegible]
Air France 14½ 86 FFr	200	92⅞	93⅞	−0⅛	+0⅜	[illegible]
Bk. America 14½ 86 FFr	250	93¼	94¼	−0⅞	+0⅛	[illegible]
Charb'nages 13⅞ 85 FFr	400	92½	93¼	0	+0⅛	[illegible]
EIB 14½ 88 FFr	300	89¼	90¼	+0⅛	+0⅛	[illegible]
La Redoute 14¼ 85 FFr	125	91	92	−0⅛	+0⅛	17.49
OKB 14 86 FFr	400	91⅛	92⅜	+0¼	0	18.22
Solvay et C. 14¾ 86 FFr	200	92	93	−0⅞	0	17.31
Swed. E. Cr. 14⅝ 86 FFr	250	91½	92½	+0⅛	+0⅛	17.38
U. Mex. Sts. 14 85 FFr	150	91¼	92¼	−0⅛	+0¼	17.35
Acona 14 85 £	20	91½	92¾	+0⅛	+0⅛	16.87
Beneficial 14¼ 90 £	20	84½	85¾	0	−0⅛	17.63
BNP 13½ 91 £	15	85½	86½	+0¼	−0⅛	16.57
CECA 13½ 88 £	20	90	91	+0⅛	−0⅛	15.84
Citicorp O/S 13½ 90 £	50	88½	89½	+0¼	−2⅛	15.98
Fin. Ex. Cred. 13¾ 86 £	15	91⅞	92⅞	+0⅛	−0⅝	16.28
Gen. Elec. Co. 12½ 89 £	50	87½	88½	+0⅛	−0⅛	16.31
Hiram Walker 14¼ 86 £	25	93¼	94¼	+0⅛	−0½	16.11
Privatbanken 14½ 88 £	12	92⅝	93⅞	+0⅛	−0⅜	16.22
J. Rothschild 14¼ 90 £	12	94⅛	95⅛	+0⅛	−0⅛	15.36
Royal Trustco 14 86 £	12	94¼	95¼	+0½	+0⅛	15.74
Swed. Ex. Cr. 13¾ 86 £	20	90¾	91¾	0	−2⅞	16.72
Akzo 9¼ 87 LuxFr	500	85⅞	86⅞	0	−0⅜	12.87
Euratom 9¾ 88 LuxFr	500	84⅞	85⅞	−0⅛	−1½	13.42
Eurofima 10½ 87 LuxFr	500	88⅞	89⅞	0	−0⅜	13.20
EIB 9¾ 88 LuxFr	600	85¾	86¾	0	−0⅛	13.75
Volvo 9¾ 87 LuxFr	500	86⅛	87⅛	+0¼	−0½	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99½	100	18/12	16¾	16.79
Bank of Montreal 5⅝ 91	0⅛	99¼	100	29/4	17.06	17.11
Bank of Tokyo 5¼ 91	0⅛	97⅝	98⅛	10/6	13¼	13.50
Bk. Nova Scotia 5¼ 93	0⅛	99¾	100¼	29/4	17.06	17.08
BRL Int. 5 86	0⅛	99⅛	99⅝	20/5	13⅞	13.58
BFCE 5¼ 88	0⅛	99¾	100¼	26/4	18.94	18.96
Christiania Bk. 5¼ 91	‡0⅛	98⅝	99⅛	5/2	15.56	15.74
Co-Ban Eurofin 5½ 91	0¼	98½	99	14/4	16.69	16.90
Den Norske Cred. 5½ 93	0⅛	97¾	98¼	4/12	13.56	13.86
Genfinance 5¼ 87	0¼	100⅛	100⅝	30/4	17.06	17.09
Genfinance 6¼ 92	0⅛	99⅛	99⅞	20/12	18.31	18.38
Giro und Bank 5⅝ 91	‡0¼	99	99½	23/12	17½	17.63
GZB 5¼ 92	‡0¼	98⅜	98⅞	5/3	13⅛	13.31
Ind. Bank Japan 5¼ 88	0⅛	98½	99	9/5	13.31	13.48
Lloyds Eurofin 5¼ 93	§0⅛	99½	100	29/4	17.13	17.17
LTCB Japan 5½ 89	0⅛	98⅞	99⅜	16/1	18.32	18.49
Midland Int. Fin. 9 91	0⅛	99⅝	100⅛	30/4	17.06	17.09
Nacional Fin. 5½ 88	0¼	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5¼ 88	0¼	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5¼ 91	§0¼	99	99½	15/1	18⅝	18.78
Nat. West. Fin. 5¼ 92	§0¼	99⅝	100⅛	23/4	17	17.02
Nordic Int. Fin. 5½ 91	0¼	98¼	98¾	6/5	15⅝	15.78
Offshore Mining 5¼ 91	0¼	98	98½	2/6	13	13.23
Pemex 6 91	0¼	98	98½	8/4	17	17.30
Pemex 5¼ 88	0¼	†98	98½	14/2	18.81	19.15
Sanwa Int. Fin. 5¼ 88	0⅛	99¾	100¼	24/3	17¼	17.27
Sec. Pacific 5¼ 91	0⅛	99⅛	99⅞	24/6	13¼	13.43
Societe Generale 5¼ 91	0½	99¼	99⅞	22/1	18⅝	18.70
Sparebanken 6 87	0¼	98⅝	99⅛	19/12	16.81	17.00
Standard Chart. 5¼ 91	0⅛	98⅝	99⅛	19/6	13.31	13.50
Sumitomo Fin. 5½ 88	0⅛	99¾	100¼	6/2	19.56	19.56

Average price changes.. On day 0 on week −0½

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	97	98½	+2½	0.64
Bow Valley Inv 8 95	4/81	23.12	103¾	105	−1⅛	18.18
Canon 6¾ 95	1/81	829	113	114½	+5⅛	7.52
Daiwa Secs. 5½ 96	12/81	539	†83½	85½	+1½	4.14
Fujitsu Fanuc 4½ 96	10/81	6770	102	103½	+5½	4.31
Furukawa Elec. 5¼ 96	7/81	300	116¾	117¾	+0⅛	−2.91
Hanson O/S Fin. 9½ 96	8/81	2.74	†88	89	+3½	[illegible]
Hitachi Cred. Cpn. 5 96	7/81	1968	94	95	+1⅛	13.28
Inchcape 8 95	2/81	4.55	†58½	60	+0½	24.88
Kawasaki 5¼ 96	9/81	229	82¼	84	+1⅞	3.19
Marui 6 96	7/81	931	103½	105	+1	−2.07
Matsushita El. 7½ 95	11/80	690	99¾	101¼	+3½	2.12
Minolta Camera 5 96	10/81	909	†75½	77	+1⅛	9.91
Murata 5¼ 96	7/81	2190	78½	80¼	+3⅛	19.22
NKK 6½ 96	7/81	198	98½	100	+2	−0.84
Nippon Chemi-C. 5 91	10/81	919	†78	80	+2	2.67
Ricoh 6¾ 95	8/80	604	112¾	114¼	+4½	7.53
Sanyo Electric 5 96	10/81	852	†80	81½	+1⅛	10.90
Sumitomo Met. 5¼ 96	10/81	305	82¼	83½	+1⅛	1.85
Swiss Bk. Cpn. 6¼ 90	9/80	200	†78½	80½	+0½	27.70
Taylor Woodrow 8¼ 90	1/81	4.94	†75	76	0	−3.32
Transco Int. 8¾ 95	2/81	68	†81½	83	−1½	25.68
Tricorp 8½ 95	12/80	31.25	†75½	77	−1	43.33
Union Bk. Switz 5 89	2/80	70.79	†82½	84½	+0½	2.44
Sharp Cpn. 6½ 88 DM	9/80	591.8	120¼	121¼	−0¼	−1.86
Uny Co. 6½ 85 DM	11/79	879.3	102½	103½	−0½	−2.84

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CSR to borrow a further A$300m

By Graeme Johnson in Sydney

CSR, the diversified Australian resources and industrial group, said yesterday that it plans to borrow A$300m (U.S.$340m) for the exploration and development of its interests in the Cooper Basin hydrocarbons liquids field in South Australia.

These funds will be in addition to the previously announced refinancing of its A$520m (U.S.$600m) purchase of Delhi International earlier this year. The purchase was made with temporary funding provided by a consortium of six international banks.

Mr Gordon Jackson, CSR's general manager, said yesterday that he expected the refunding to be completed by February and that it would be sufficient to meet the cost of the Delhi acquisition and the first three years of Cooper Basin development costs.

Delhi has stakes varying between 13 per cent and 40 per cent in a number of Cooper Basin leases. CSR is negotiating a form of non-recourse project financing for its Delhi/Cooper Basin activities.

CSR is already raising a further A$135m through a one-for-five rights issue announced last month. Taken together, the fund raising comes close to A$1bn, making it one of the largest such operations by an Australian company.

The company recently reported that its interim net profits fell by 30 per cent to A$42.5m.

ARC accepts revised bid from Humes

By Our Sydney Correspondent

ARC INDUSTRIES, a steel and wire producer, has recommended acceptance of a revised takeover bid from Humes, the concrete products group, which values ARC at A$155m (U.S.$177m).

Humes had bid for ARC as part of its defence against a bid for it from BMI, the quarry group. Last week BMI dropped the offer, valued at A$216m, because of the uncertainty surrounding Humes.

To secure ARC's approval, Humes improved its bid by raising all three alternatives. It raised the cash offer to A$3.10 per ARC share from A$3 and said it expects shareholders with about 29 per cent of ARC's equity to accept this form.

Humes, which already owns 20.1 per cent of ARC's shares, improved the alternative share swaps to nine of its shares for every five ARC shares held from eight-for-five and to seven shares plus A$20 cash for every 10 ARC shares held from three plus A$10 for every five. Humes said its expects ARC largest shareholders, BHP with 31 per cent of the equity and Australian Mutual Provident Society with 11 per cent, to accept one of the share swap offers.

On the basis of Humes' closing price last night of A$1.55 a share, the offer values ARC shares at A$3.08, compared with a closing price yesterday of A$3.00.

A joint statement from ARC and Humes yesterday said it was estimated that ARC will post half-year earnings of A$7.5m and full years earnings of A$14.25m, a 20 per cent increase from last year.

Debts overwhelm Hokutan Yubari after mine disaster

BY RICHARD C. HANSON IN TOKYO

JAPAN'S DOMESTIC coal industry was dealt another sharp blow yesterday when the Hokutan Yubari Coal Mining Company, where 93 miners died in a gas explosion in October, collapsed financially leaving Y72.1bn ($328m) of debts.

Hokutan Yubari, a subsidiary of the Hokkaido Collierly and Steamship Company, filed in Sapporo District Court for the application of the Corporate Rehabilitation Law. Its debts make it the fifth largest corporate failure in Japan since the end of the Second World War.

The company's collapse was a direct result of a shutdown of all its mining operations following the tragic explosion in October, Japan's third worst post-war mining disaster. Hokutan Yubari failed to produce by Monday a required rehabilitation plan, asked for by a subcommittee of the Ministry of International Trade and Industry's (MITI) Coal Mining Council. Court protection was sought after conferring with major creditors, led by Mitsui Bank.

The company found itself unable to raise the full Y2.4bn in funds needed to stay in business for this month alone. It would have required considerably more over the next few months while mining remains suspended.

Efforts to come up with a suitable plan were apparently hindered by an attempted suicide by the company's president last week.

MITI, through its New Energies Development Organisation, is the biggest lender to Hokutan Yubari, having extended about Y29.1bn of the estimated Y45.7bn in private and government loans outstanding at the time of collapse. Mitsui Bank is the largest commercial bank involved with Y7bn outstanding.

The heavy involvement of the government in financing the company reflects official efforts to strengthen the long-neglected domestic coal mining industry. It produces an estimated 18m tonnes of coal a year, only a fraction of the country's needs. Hokutan Yubari, with an annual production of 1m tonnes, was to play an important part in plans to bolster the industry.

A Government report presented in August envisaged some increase in domestic production once the problems of the industry were sorted out as one part of efforts to diversify energy sources away from imported crude oil.

The Hokutan coal group, consisting of three subsidiaries of Hokkaido Colliery, accounts for one sixth of domestic coal production. It appears that other members of the group will not be dragged down by Hokutan Yubari's debts, although there are some cross guarantees on loans.

The group itself has been plagued for several years by accidents. Until a serious blast ripped through the group's Horonai mine in 1975 all three mines operated as part of one company. Three years later the group was split into wholly owned subsidiaries. Hokutan Yubari itself was just recovering from a major mine fire in 1980, under a two year reconstruction plan, when the October explosion occurred.

MITI refuses to allow Hokutam Yubari toresume production at a mine unaffected by the latest explosion until the results of the inspection team are known next May, thus cutting off all revenues.

Fiat expects return to the black

BY RUPERT CORNWELL IN ROME

FIAT expects a "notable" consolidated operating profit for 1981 — the first time that Italy's largest privately owned industrial group will have been in the black on an operative basis for three years. In 1980 Fiat's overall deficit reached L240bn ($200m).

Fiat Auto, the group's motor-manufacturing division, lost L100bn on its European operations last year, but will break even on them in 1981, although substantial losses are again expected on its South American activities.

Several other important divisions, notably Iveco, Fiat's heavy vehicle subsidiary, Fiat Allis, the earthmoving equipment arm, and the group's tractor operations have also returned to profit. All Fiat's operating companies, with the exception of its steel division, Teksid, will show "positive" results for 1981, said Sig Cesare Romiti, the managing director of Fiat SPA.

Full-year returns, Fiat's first on a fully consolidated worldwide basis, is expected to show a 22 per cent growth in sales from the L18,138bn ($15bn) reported for 1980.

Sig Romiti, who is effectively in charge of running Fiat on a day-to-day basis, made clear that the group intended to continue the tough policy that provoked a five-week strike in the autumn of last year.

Since the strike, productivity has improved by 20 per cent, but is still 8 to 10 per cent below that of its car-manufacturing rivals. Although Fiat Autos' capacity remained at 1.4m units annually, this year's output would be 1.15m units only. "We can't permit an increase of even one unit in our unsold stocks," said Sig Romiti. All available resources had to be ploughed back into investment, which for cars alone would total L4,700bn ($3.9bn) between 1980 and 1984, excluding research and design expenditure.

Layoffs on the present scale (70,000 men are currently idle for one week a month) would continue until the car market picked up—probably not before 1983. But, he insisted, "Fiat is now equipped to survive and flourish in the world car industry."

Sig Romiti said that the group's debts had remained the same over the year, and its borrowing profile had improved.

Short-term indebtedness accounted now for only 33 per cent of the L7,200bn total, compared with 45 per cent at the end of 1980, while the share of medium- and long-term borrowings had climbed to 66 from 55 per cent.

U.S. arm of Nestle to sell canned goods operations

BY JOHN WICKS IN ZURICH

LIBBY, MCNEILL AND LIBBY, the Chicago-based processed-foods subsidiary of the Swiss Nestle concern, has reached an agreement in principle on the sale of its U.S. canned fruit and vegetable operations.

Three fruit-canning plants in the states of California and Washington will be taken over by California Canners and Growers, of San Francisco, while five vegetable-processing plants and two can factories will be bought by the New York company S. S. Pierce.

A statement yesterday from the Nestle headquarters in Vevey did not disclose the sale price. When negotiations are completed, California Canners and S. S. Pierce will be granted a licence to use the Libby brand names in the U.S.

Last month Mr Pierre Liotard-Vogt, the chairman of Nestle said in Vevey that the group was in the process of restructuring its Libby subsidiary. It had been losing money for several years, and was said to be planning the divestment of certain product lines.

The canned goods sale programme does not affect the other activities of Libby, McNeill and Libby. These include the production of tomato juice, fruit juice, corned beef, and culinary specialities worth a total of some $250m in sales per year.

The statement from Vevey explained that Libby considers the remaining activities have "not insignificant growth potential." The U.S. company is to concentrate on the development of new products.

CDC sees downturn in profits

By Victor Mackie in Ottawa

CONTINUED UNCERTAINTY over the Federal Government's role in Canada Development Corporation (CDC), combined with the sagging economy, is taking its toll on the country's largest public investment company.

Mr Anthony Hampson, the president, has predicted profits for 1981 of less than C$100m (US$84m) compared to C$189m last year and next year, profits are expected to drop to about C$70m unless the economy rebounds.

Mr Hampson said CDC's shares, which have fallen from C$16.25 to C$8.25 will remain depressed until the Canadian Government makes "a clear public statement of its intentions" concerning the company which was established by the Government in 1971.

WORLD STOCK MARKETS

Wall St mixed at midsession

STOCKS ON Wall Street made a rather mixed showing at midsession after a fair turnover, with the market settled into a narrow trading range following Monday's sharp fall.

The Dow Jones Industrial Average, which fell 15 points the previous day on U.S. economic worries and international tension, was a slight 0.48 firmer at 871.96 at 1 pm. The NYSE All Common Index recouped 17 cents at $71.07, but declines narrowly led gains by a seven-to-five margin. *Trading volume* came to 29.62m shares, compared with 31.54m recorded at 1 pm on Monday.

Analysts said investors were awaiting developments on U.S. *interest rates* or the Polish and Israeli situations. Bargain hunting and special situations were the only significant trading stimulants, they added.

Concerns about the direction of interest rates continued to play on the market. On Monday, **Crocker National** raised its Prime Rate back up to $15\frac{3}{4}$ per cent from $15\frac{1}{2}$ and **Citicorp** yesterday morning said it would hold its Prime Rate at $15\frac{3}{4}$ per cent. The Federal Funds Rate continued to hold above 12 per cent, the level it has been at for more than a week.

Most issues showed only fractional price changes, although **Phillips Petroleum** fell $2\frac{1}{8}$ to $\$42\frac{3}{8}$ in heavy trading after announcing that it had plugged and abandoned five wells drilled off the Ivory coast.

Phillips was the volume leader on Monday, gaining $\frac{7}{8}$ on speculation about the results of the Ivory Coast drilling.

Western Union was the volume leader yesterday, unchanged at $\$32\frac{1}{4}$ on turnover of about 947,000 shares. The company said on Friday that it would exchange up to 1m new shares for $48m of debentures. **Masonite** dropped $2\frac{3}{8}$ to $\$27\frac{5}{8}$ after announcing it will buy back 1,053,000 of its shares from First City Financial for $39 apiece.

THE AMERICAN SE Market Value Index was 0.86 lower at 316.00 at 1 pm. Volume 2.96m

Closing prices for North America were not available for this edition.

Canada

Markets remained easier-inclined early yesterday in fairly active trading. The Toronto Composite Index was off 1.9 at 1,926.4 on volume of 2.86m shares at noon, with falls exceeding rises by 269 to 138. The Oil and Gas index *shed 24.3* to 3,678.2, but Golds edged up 3.2 to 3,132.4.

Tokyo

The recent downtrend was reversed yesterday, with bargain hunting encouraged by the yen's recovery against the U.S. dollar *lifting* a fair number of Blue Chips and export-orientated issues.

The Nikkei-Dow Jones Average, after a two-day fall of 76 points, rallied 26.72 to 7,680.89, while the Tokyo SE *index picked up 0.90 to 463.98.*

However, worries over the Polish political unrest, Israel's annexation of the Golan Heights and U.S. interest rates remained, and trading was rather quiet. Volume was a modest 230m *shares, but* exceeded Monday's very light turnover of 140m.

Issues engaged in new ceramic development met strong demand, with **Kyoto Ceramic** advancing Y230 to Y3,730. Light Electricals, Motors, Precision Instruments, Heavy Electric Machines and Drugs were higher.

Hitachi recovered Y7 to Y645, **Toshiba** Y6 to Y394, **Sony** Y60 to Y3,870, **Canon** Y19 to Y915, **Toshiba Ceramics** Y48 to Y968, **Hoya Glass** Y29 to Y860, **Nippon Electric** Y18 to Y798, **Isuzu Motor** Y21 to Y459 and **Honda Motor** Y13 to Y760.

High Technology issues, such as Optical Fibres, Robot Makers and Machine Tools, were also bought selectively, but Oils, strong the previous day, and Coals lost ground. Nippon Oil receded Y60 to Y1,260 and Teikoku Oil Y11 to Y862.

Germany

Foreign buying of selected shares helped to give the market in general a *life* in thin trading. The Commerzbank index picked up 3.0 to 688.1 after *Monday's retreat of* 7.6 on the Polish crisis.

Dealers were unable to offer *explanations* for the foreign orders. With many domestic banks and institutions having already closed their books for the year-end, little material was available to match the orders, thus exaggerating the price gains.

Daimler's one-for-eight rights issue of new shares was well received, *trading* just above parity on the first day of dealings. Daimler closed at DM 305.50 ex rights, up DM 1.50 from the opening.

Elsewhere in Motors, **BMW** rose DM 3.50 to DM 198.50, but **Volkswagen**, which said it had postponed opening of a new U.S. plant, shed DM 0.60 to DM 131.80.

Banks were strong, with Deutsche climbing DM 4.80 to DM 271.50, Dresdner DM 3.70 to DM 140.20 and Commerzbank DM 2.10 to DM 137.50.

On the Domestic Bond market, prices maintained early gains in lively trading.

Australia

Resources issues led markets mainly lower yesterday in a session of despondent trading. The All Ordinaries index fell 8.2 to 594.4, Metals and Minerals 9.1 to 432.4 and Oil and Gas 20.7 to 661.2.

On the one hand, dealers were disappointed that Gold Bullion prices hadn't been rushed up in a replay of the performance that followed the invasion of Afghanistan. But they were also dismayed by the way European money was moving across the Atlantic chasing the rising U.S. interest rates *and the improving* U.S. dollar.

All the Gold Mines took sharp losses, and the Base Metals followed paced by stocks like **MIM**, off 15 cents at A$3.25, **Peko-Wallsend**, down 30 cents at A$5.60, and **Western Mining**, 15 cents weaker at A$4.10. Among Golds, **GMK** and **Central Norseman** declined 20 cents apiece to A$6.50 and A$7.20, while **Poseidon** lost 30 cents at A$2.90.

The Oil and Gas stocks were in disarray partly because of the *drying-up of London* buying but also because of disappointing news from the oil rigs. The Jackson operators reported that the well had now reached basement without encountering any hydrocarbons in the permian measures. And worse, the operators now propose to drill a well 150 kilmetres to the north *instead of the promised Jackson* step-out.

Among the Jackson N. 1 well *operators* **Santos** lost 34 cents to A$6.20, **CSR** 20 cents to A$3.75, **Claremont** 30 cents to A$1.20 and **Vamgas** also 20 cents to A$11.00.

Brussels

Stock prices moved strongly ahead in lively trading, continuing to be buoyed by prospects of a new centre-right Government committed to lower company taxes, Bourse sources said. The Belgian SE General index rose 2.31 more to 80.16.

Hong Kong

Monday's market slide was modestly extended early yesterday, but sotcks staged a late technical recovery to finish a shade firmer for choice on the day.

The Hang Seng index, which *retreated 38.80 on the previous* day on worries over the Polish situation and the U.S. economic problems, was down a further 8.06 at 11.00 am, but subsequently picked up to record a gain of 4.79 on the day at 1,381.18. Trading activity remained at a low ebb, turnover on the four exchanges reaching only HK$190.12m, against Monday's HK$203.66m.

NEW YORK

Stock	Dec. 14	Dec. 11
Cluett Peaby	13	$13\frac{1}{8}$
CocaCola	35	$35\frac{5}{8}$
Colgate Palm	$16\frac{1}{8}$	$16\frac{1}{8}$
Collins Aikman	$10\frac{3}{4}$	$11\frac{1}{8}$
Colt Inds	$56\frac{3}{4}$	$57\frac{3}{4}$
Goodrich (BF)	$19\frac{3}{4}$	$20\frac{1}{2}$
Goodyear Tire	$18\frac{1}{2}$	$18\frac{1}{2}$
Gould	$23\frac{7}{8}$	$24\frac{1}{8}$
Grace	$45\frac{3}{8}$	$45\frac{5}{8}$
Grainger (WW)	$39\frac{3}{8}$	$39\frac{5}{8}$
Merck	$86\frac{1}{4}$	$87\frac{1}{2}$
Meredith	$63\frac{3}{8}$	$64\frac{1}{2}$
Merrill Lynch	$32\frac{1}{8}$	$33\frac{5}{8}$
Saxon Inds	$4\frac{3}{4}$	5
Schering Plough	$26\frac{5}{8}$	$27\frac{3}{8}$
Zapata	$30\frac{1}{4}$	$33\frac{1}{8}$
Zenith Radio	$11\frac{1}{8}$	$11\frac{1}{8}$

CANADA

Stock	Dec. 14	Dec. 11
AMCA Int l	23	23
Abitibi	21	$21\frac{1}{4}$
Agnico Eagle	$7\frac{1}{4}$	$7\frac{1}{8}$
Alcan Alumin	$25\frac{7}{8}$	$26\frac{1}{4}$
Algoma Steel	43	43

BELGIUM (continued)

Dec. 15	Price Frs.	+ or —
Petrofina	4,236	+35
Royale Belge	4,280	+130
Soc Gen Banq.	1,950	+135
Soc Gen Belge	920	—2
Sofina	2,740	+70
Solvay	2,006	+15

HOLLAND

Dec. 15	Price Fls.	+ or —
ACF Holding	69.6	+0.1
Ahold	59.5	—0.7
AKZO	22.9	+0.5
ABN	383.5	—0.7
AMEV	84.5	—0.7
AMRO	53	+0.6

AUSTRALIA

Dec. 15	Price Aust. $	+ or —
ANZ Group	5.66	
Acrow Aust	1.35	
Ampol Pet	1.75	—0.05
Assoc. Pulp Pap.	2.00	
Audimco	0.11	
Aust. Cons. Ind.	1.82	+0.02
Aust. Guarant.	2.30	

JAPAN (continued)

Dec. 15	Price Yen	+ or —
Kubota	339	
Kumgaai	400	—4
Kyoto Ceramic	3,730	+230
Lion	426	—4
Maeda Cons	550	—15
Makita	880	+5
Marubeni	342	—2
Marudai	714	+8

Indices

NEW YORK —DOW JONES

	Dec. 14	Dec. 11	Dec. 10	Dec. 9	Dec. 8	Dec. 7	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	871.49	886.51	892.03	888.22	881.75	886.39	1024.05 (27/4)	824.01 (25/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	58.22	58.88	59.06	53.63	59.81	60.09	65.78 (15/1)	54.33 (1/10)	—	—
Transport.	385.74	331.11	395.24	334.00	393.17	395.45	447.38 (16/4)	335.48 (25/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	110.65	111.98	112.28	112.39	112.13	111.91	117.81 (5/1)	101.29 (25/9)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	44,740	45,850	47,020	44,810	45,140	45,720	—	—	—	—

●Day's high 882.52, low 868.72.

Ind. div. yield %	Dec. 11	Dec. 4	Nov. 27	Year ago (approx
	6.26	6.21	6.25	5.95

STANDARD AND POORS

	Dec. 14	Dec. 11	Dec. 10	Dec. 9	Dec. 8	Dec. 7	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	137.18	138.61	140.51	140.20	138.29	139.76	157.02 (6/1)	128.49 (24/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	122.78	124.82	125.71	125.48	124.82	125.19	138.12 (6/1)	115.01 (24/9)	140.52 (28/11/80)	4.402 (1/6/32)

	Dec. 9	Dec. 2	Nov. 25	Year ago (approx
Ind. div. yield %	5.16	5.20	5.24	4.61
Ind. P/E Ratio	8.45	8.38	—	9.05
Long Gov. Bond yield	13.19	12.64	12.38	12.68

NY. S.E. ALL COMMON

Dec. 14	Dec. 11	Dec. 10	Dec. 9	1981 High	1981 Low
71.24	72.43	72.84	72.69	79.14 (6/1)	64.96 (25/9)

Rises and Falls

	Dec. 14	Dec. 11	Dec. 10
Issues *Traded*	1,957	1,958	1,951
Rises	335	561	755
Falls	1,380	958	737
Unchanged	342	439	469
New Highs	10	21	16
New Lows	37	13	18

MONTREAL

	Dec. 14	Dec. 11	Dec. 10	Dec. 9	1981 High	1981 Low
Industrials	332.45	336.35	338.50	337.65	409.58 (27/5)	310.21 (25/9)
Combined	315.54	318.48	319.77	318.86	375.28 (15/6)	283.97 (25/9)
TORONTO Composite	1,928.3	1,954.1	1952.2	1958.1	2578.8 (10/4)	1812.48 (25/9)

	Dec. 15	Dec. 14	Dec. 11	Dec. 10	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	594.4	602.6	604.7	600.3	737.5 (6/4)	546.8 (29/10)
Metal & Minrls (1/1/80)	432.4	441.5	438.6	467.1	736.2 (7/1)	404.5 (20/11)
AUSTRIA						
Credit Aktien (2/1/62)	55.57	55.58	56.45	56.35	86.43 (6/1)	53.64 (13/10)
BELGIUM						
Belgian SE (31/12/63)	80.16	77.85	75.61	75.99	86.15 (17/2)	69.53 (16/6)
DENMARK						
Copenhagen SE (1/1/73)	122.03	120.65	120.69	(u)	122.05 (16/12)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	90.9	90.9	(u)	91.7	112.5 (17/3)	77.3 (15/6)
Ind Tendance (31/12/80)	*98.1*	*97.9*	*98.6*	*98.9*	*108.8 (10/9)*	*79.2 (12/6)*
GERMANY						
FAZ-Aktien (31/12/58)	225.56	224.07	226.76	227.07	245.47 (5/7)	215.88 (8/2)
Commerzbank (Dec 1953)	*688.1*	*685.1*	*692.70*	*693.2*	*749.0 (5/7)*	*665.4 (16/2)*
HOLLAND						
ANP-CBS General (1970)	85.3	85.2	86.2	86.4	96.8 (20.8)	76.5 (28/9)
ANP-CBS Indust (1970)	62.2	62.4	62.9	65.2	76.4 (22/6)	51.5 (30/10)
HONG KONG						
Hang Seng Bank (31/7/64)	1381.18	1376.39	1415.19	1412.93	1810.20 (17/7)	1113.77 (5/10)
ITALY						
Banca Comm Ital (1972)	189.80	186.39	192.30	190.63	292.05 (8/6)	166.44 (24/7)
JAPAN**						
Dow Average (16/5/49)	7680.89	7654.17	7738.88	7748.91	8019.14 (17/8)	6956.52 (13/3)
Tokyo New SE (4/1/68)	563.98	563.08	568.05	567.97	603.92 (17/8)	495.79 (6/1)
NORWAY						
Oslo SE (1/1/72)	128.23	126.46	129.76	129.25	145.72 (6/8)	110.84 (5/6)
SINGAPORE						
Straits Times (1966)	757.61	755.57	769.91	773.09	873.28 (26/6)	615.26 (1/9)
SOUTH AFRICA						
Gold (1958)	(u)	615.2	—	601.4	797.6 (7/1)	476.6 (8/7)
Industrial (1958)	(u)	699.5	—	698.1	709.4 (21/10)	637.2 (3/2)
SPAIN						
Madrid SE (30/12/80)	123.04	(c)	123.74	123.94	146.15 (8/9)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	614.18	621.68	626.37	626.30	660.81 (18/8)	404.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	*261.0*	*261.4*	*265.7*	*265.4*	*304.2 (2/4)*	*242.8 (17/1)*
WORLD						
Capital Intl. (1/1/70)	—	145.2	148.1	149.0	162.8 (6/1)	133.8 (28/9)

(**) Sat Dec 12: Japan Dow 7,691.40, TSE 564.99.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Petlm.	1,031,800	$44\frac{7}{8}$	$+\frac{7}{8}$	Am Tel. & Tel.	379,300	$58\frac{3}{4}$	$-\frac{1}{4}$
MGIC Invest.	927,400	$47\frac{3}{8}$	$+4\frac{1}{8}$	Georgia-Pacific	354,100	$20\frac{1}{2}$	$-\frac{7}{8}$
Exxon	835,400	$30\frac{7}{8}$	$-\frac{1}{2}$	General Motors	353,500	$36\frac{7}{8}$	$-1\frac{1}{4}$
IBM	568,600	$53\frac{3}{4}$	-1	K Mart	317,400	$15\frac{1}{2}$	$-\frac{1}{4}$
Mobil	479,600	$25\frac{3}{4}$	$-\frac{1}{4}$	Schlumberger	295,400	$55\frac{7}{8}$	$-1\frac{1}{8}$

COMMODITIES AND AGRICULTURE

Beef quotas agreement blocked

By Larry Klinger in Brussels

FRANCE YESTERDAY again blocked EEC agreement on import levels for certain types of beef for meat-product manufacture in the European Community. The move is bound to draw protests from traditional suppliers such as Australia and Argentina.

A European Commission proposal for a 1982 quota of 60,000 tonnes under the so-called "manufacturing beef balance sheet" was supported by eight of the 10 Agriculture Ministers meeting in Brussels, but was rejected by France, which insisted that it be cut to only 45,000 tonnes. The French were supported by Ireland.

The Commission proposal would have allowed 30,000 tonnes of high quality meat to be imported duty free, with an equal amount of lesser quality meat to be imported at 55 per cent below normal duty, which is the minimum requirement under the General Agreement on Tariffs and Trade (GATT). The Commission also proposed a review of the tariff in three-months' time, opening the possibility of a further reduction if traditional trading partners found it unprofitable to fill their quotas. This was also rejected by the French.

Maize export target in doubt

WASHINGTON—South Africa may not fulfill its 5.3m tonne maize export target for the current season, as offers on nearly 300,000 tonnes were rejected in November and probably will not be shipped, the U.S. Agriculture Department's Counsellor in Pretoria stated in a field report.

The report, dated December 11, said plantings for the 1981/82 production year were virtually complete. Conditions were favourable in all areas, with widespread rains over the previous two weeks. A crop somewhat larger than the officialy projected 10.5m tonnes were possible, depending on weather condtions over the season, it said.

A further increase in the crop would not have a marked influence on 1982/83 exports, since the stock situation would allow near-capacity exports up to the end of May, 1983, it said. A bigger crop would only increase carryover stocks at the end of 1982/83.

Reuter

Farm ministers lash out at French support plans

BY LARRY KLINGER IN BRUSSELS

FRANCE CAME under strong attack yesterday from several of its European Community partners over its latest proposed round of agricultural aids estimated at more than £500m.

Britain and West Germany led the criticism, with Mr Alick Buchanan-Smith, the Minister of State for Agriculture, telling the Farm Ministers' Council here that, even if portions of the scheme proved to be legal under EEC rules, it would "raise considerable questions of unfairness in EEC trade and even greater questions of principle."

Britain and West Germany, which are by far the biggest contributors to Common Agriculture Policy funds, are increasingly taking France to task for allegedly professing to support EEC agriculture principles while bending the rules in its favour.

Britain specifically called on the European Commission to act quickly in this case and not to delay action as it did over last year's French support scheme, portions of which were declared illegal by the Commission only after it had been paid and a new Government elected in France.

Mr Poul Dalsager, the Commissioner responsible for agriculture, told the Ministers that he had officially asked the French to justify their proposed aids in writing by next week.

France's latest measures, which are due to be given a First Reading in the National Assembly this week, are designed to compensate producers, especially small farmers, for a further drop in real income. Ironically, from the Brussels standpoint, a sizeable and angry protest movement has spread across France because farmers feel the proposed aids are far too small.

Mr Buchanan-Smith dismissed French arguments that French farmers were particularly hard-pressed and had suffered more bad weather than those in other member States. He said other countries were facing similar difficulties with declining real incomes and that his trip South from Scotland on Monday was through some of the worst British weather in 30 years.

M André Cellard, the French Secretary of State for Agriculture, said that France would be replying to the Commission, but did not specify when. He said the proposed measures did not comprise direct income aids contrary to EEC law, despite what had been reported in the Press. He added that the measures fully conformed with EEC principles.

However, many of the member States were not convinced. The Anglo-German attack received considerable support from Denmark, Italy and Ireland.

U.S. to end metal stockpile sales

BY NANCY DUNNE IN WASHINGTON

THE CONTROVERSIAL sale of U.S. Government stockpiled silver is likely to end—for the time being at least—with House and Senate passage of the Defence Appropriations Bill. An amendment to halt the sales was accepted by House negotiators and will go to both Houses on Tuesday and Wednesday as part of the defence appropriations package.

The amendment stops the sales until next July, when the President is required to report to the Congress on the need for the sales and alternative methods of conducting them.

The action comes after the General Services Administration, which manages the stockpile, removed restrictions on the sale of stockpiled silver and tin, limiting buyers to Americans.

Lifting the ban on foreign sales produced immediate results at Monday's GSA tin auction. The agency had its most successful day since the current tin sales began in July last year, selling 360 tons at $7.07 a pound. Only 3,530 tons have been disposed of in the 17 months of the sales.

Stockpile officials said yesterday that the silver sales scheduled for Wednesday would go ahead as planned "as far as we know right now." But in the light of the congressional action, the sale could be cancelled.

Roy Hodson writes: The tin trade is anticipating a decision within the next week by the U.S. Government to extend sales of GSA tin stocks to world markets. Tin for three months delivery fell on the London Metal Exchange yesterday by £137.50 to close at £8,187.50 a tonne, while tin for cash lost £105 to close at £8,355 a tonne.

An extension of the stockpile sales would allow heavier tin shipments from the U.S. to compete with existing U.S. export sales and other supplies from the Far East and from South America.

The tin market is still far from normal, with prices high after the recent rises but physical demand slack.

The other base metal markets in London were lower yesterday reflecting generally reduced tension over Poland. Cash copper wirebars lost £15.50 to close at £857.50 a tonne, lead lost £11.50 to close at £355.75 a tonne for cash, and zinc was £4.50 lower at the close at £436 a tonne cash.

Aluminium finished fractionally cheaper at £605.50 a tonne, a loss of £1.50 on the day after gaining £16 the previous day. Nickel was £75 down at £2,835 a tonne.

Ban to contain outbreak of sheep scab

Financial Times Reporter

THE free movement of sheep from a large part of Devon, including most of the Dartmoor National Park, was banned by the Ministry of Agriculture last night because of an outbreak of sheep scab.

Sheep will be allowed to move out of the area only under licence from the local authority and licences will be issued only for sheep that have been dipped against scab during the preceding 56 days provided they go straight to the slaughterhouse.

The Government enforced compulsory dipping for sheep scab this autumn in an attempt to stamp out the disease which is spread by a mite and causes the animal to lose weight. The carcase price is reduced and the animal's fleece is often useless.

Electronic linkage for Chicago

By Nancy Dunne

AN ELECTRONIC linkage between the Chicago Board of Trade, the world's largest commodity exchange, and the languishing New York futures exchange was overwhelmingly approved yesterday by the membership of the CBT. The link is expected to give Chicago members access to the growing market in options and futures on financial instruments, and to breathe new life into the NYFE, an offshoot of the New York Stock Exchange.

For the CBT, the linkage may be the first step in a number of new tie-ins around the world. The exchange is negotiating links with several other exchanges, including the London international financial futures exchange.

The plan, which still needs approval from the directors of the New York Stock Exchange and the Chicago Board, would join the trading floors of both exchanges through computerised communications systems. All trades would be cleared through the Chicago Board's clearing association.

The linkage was at first controversial among Chicago traders, who felt there was little to be gained by giving an advantage to a competitor, no matter how feeble. The NYFE slightly more than a year old, has been plagued by poor liquidity and has failed to attract much business from the Chicago exchanges.

Guyana bauxite production falls

GEORGETOWN — Bauxite and alumina production in Guyana has fallen well short of expectations, with only about half of this year's target reached by the end of the third quarter, according to figures released by the Guyana Mining Enterprise (Guymine). Total exports for the nine-month period were just 1.2m tonnes.

Guyana exported 364,000 tonnes of calcined bauxite by the end of September, less than half the year's target of 735,000 tonnes. In the period 119,000 tones of alumina was exported against a target of 240,000 tonnes.

Guymine sources said the industry was plagued by several problems, including unfavourable weather, shortage of spares and industrial tension.

Reuter

Deadlock on tungsten pricing accord

BY BRIJ KHINDARIA IN GENEVA

PROSPECTS for an international commodity agreement to stabilise tungsten prices have worsened considerably following differences among producers and consumers at talks in Geneva last week.

Most producers still insist that tungsten is ripe for an international agreement containing binding provisions possibly including a buffer stock, to keep prices within an agreed range.

But the main importers — West Germany, Japan, Sweden, Britain and the United States—as well as one producer—Canada—insisted that the need at this time was for more information on tungsten markets. The chief pressure for a binding price stabilisation agreement has come from China and Bolivia, the largest producers, with support from Mexico, Australia and Thailand.

Voicing the common producers' position, Choopong Angpiroj, of Thailand, said that exchanges of market information begun in 1978 have failed to promote stability. Urgent action was needed, he said, to create a commodity agreement under a programme run by the United Nations Conference on Trade and Development.

Some of the force of the producers' arguments has been deflated by relatively stable price trends on tungsten markets. A study by Unctad notes that "in spite of the weakness of the underlying forces in the market, the prices of tungsten, unlike those of other metals which peaked in late 1979 and early 1980, remained within a relatively narrow band for most of that period, actually rising slightly in current terms until mid-1981."

Since July, the price of tungsten has fallen by 12 per cent to $132 per metric tonne of tungsten oxide, and the market outlook is uncertain.

Consumers argue that recession, rather than flaws in tungsten markets, is at the root of difficulties afflicting the tungsten trade. Lesser consumption in industrialised countries combined with increasing tungsten output is responsible for the current downward price trend.

"Such price movements cannot be handled through a market stabilisation agreement without forcing members to finance enormus stocks to intervene in makets: It would be very premature to rush into any such agrement at this time of economic stagnation in almost all Western economies," one consumer country delegate said.

Unlike other commodities in Unctad's price stabilisation programme, tungsten production is almost evenly distributed among developing, developed and Socialist countries.

The industrialised producing countries — mainly Canada, France, Portugal, Spain, the U.S. and Japan — accounted for 27 per cent of total world output in 1980, an increase of 4 per cent over 1979. Developing countries produced about 23 per cent of world output. The largest producers are Socialist countries in Asia, including China, with 32 per cent.

World consumption of tungsten fell by about 3 per cent in 1980 and the trend is expected to continue. The smallest falls came in developing countries which consume about 7 per cent of the world total. But industrialised countries experienced a 25 per cent drop in consumption with the largest percentage falls occurring in West Germany and Poland. Japan and Sweden were the only countries to increase modestly their consumption.

While the U.S., the world's largest importer, kept purchases unchanged between 1979 and 1980, West Germany cut imports by 24 per cent, Poland by 43 per cent and Britain by 10 per cent.

China, by far the world's largest exporter, suffered a 5 per cent cut in sales, while South Korea cut exports by 8 per cent. On the other hand, Australia and Portugal increased exports by 16 per cent and 18 per cent respectively.

The increased importance of industrialised countries as both producers and exporters of tungsten has caused some tension with third world exporters. But only Canada has dissociated itself so far from the producers' demand for an international commodity agreement.

The main proposal on the table was presented by France in 1978. It called for a two-stage approach, comprising an initial phase aimed at making the market more open, followed by a final phase leading to an agreement to intervene in the market to stabilise prices. This was a compromise between the positions of producers and consumers.

But now consumers do not wish to go beyond the initial phase. The talks have not collapsed, however, and another meeting wil be called next year.

EEC disarray on cane sugar

BY LARRY KLINGER IN BRUSSELS

EEC Agriculture Ministers failed again yesterday to resolve the European Community's long-standing price dispute with Third World sugar cane producers, passing the issue back again to their foreign ministers.

The 61 African, Caribbean and Pacific Ocean (ACP) countries grouped together under the EEC's special Lome trade and aid arrangements have demanded an emergency "last resort" joint ACP-EEC Council of Ministers if no immediate progress is made to resolve the nine-month-old quarrel.

The dispute itself centres on the Agriculture Ministers' decision in the spring to offer cane producers a lower price rise for their exports to the EEC than they had awarded to their domestic producers for beet sugar.

While Tate and Lyle, which takes virtually all of ACP cane imports, was able to make up the difference this year, the dispute has become a matter of principle to the ACP countries.

Mr Alick Buchanan-Smith, Britain's Minister of State for Agriculture, made clear yesterday the Britain was prepared to agree to a higher price increase, but only if Tate & Lyle's profit margins were protected in some other way over the remaining four years of the five-year Lome agreement.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES fell sharply on the London Metal Exchange. Profit-taking reflecting lack of news from Poland, left Copper at £881.75 on the late Kerb, after a low of £878.5, while Zinc fell to £444, Aluminium to £626 and Nickel to £2,890: the last-named was also depressed by the Inco settlement. Tin lost ground and closed at £8,167.5, three months, on rumours that the GSA will allow exports of stockpile tin. Lead fell to £366 but rallied to close the late Kerb at £368.5 as heavy American selling was easily absorbed by fresh buying.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £860.00, three months £886.00, 85.00, 84.00, 83.00, 82.50, 82.00, 81.00, 81.50, 82.00, 83.00, 84.0. Cathodes, cash £857.0, three months £879.00. Kerb: Higher Grade, cash £859.00, three months £882.50, 83.00. Afternoon: Higher Grade, three months £881.00, 80.00, 78.00, 78.50, 79.00, 79.50, 80.00, 80.50, 81.00, 81.50. Standard Cathodes, three months £877.00. Kerb: Higher Grade, three months £881.00, 80.50, 81.00, 81.50. Turnover: 24,875 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
HighGrde				
Cash	859-60	-11.7	857-8	-15.5
3 mths	883-4	-8.25	881-.5	-15.5
Settlem't	860	-11.5	—	......
Cathodes				
Cash	855-1	-11.5	858-4	-16
3 months	879-80	-9	877-8	-13
Settlem't	857	-10.5	—	......
U.S. Prod	—	......	*73-84	......

Tin—Morning: Standard, cash £8,430, 8,400, 8,370, 80, mid-Feb 8,575, 8,600, late-Feb £8,500, 30, 20, three months £8,250, 20, 25, 30. Kerb: Standard, three months £8,220. Afternoon: Standard, cash £8,350, mid-Feb £8,500, 50, 8,508, late-Feb £8,440, £8,500, three months £8,180, 90, 8,200, 8,190, 80, 85, 90. Kerb: Standard, three months £8,190, 80, 70, 60, 65, 60. Turnover: 3,400 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8380-5	-122	8350-60	-105
3 months	8225-30	-90	8185-90	-137
Settlem't	8385	-12.5	—	......
Standard				
Cash	8380-5	-122	8350-60	-105
3 months	8225-30	+90	8185-90	-137
Settlem't	8385	-125	—	......
Straits E.	‡$35.10	-0.10	—	......
New York	—	......		

Lead—Morning: Cash £354.00, three months £370.00, 68.00, 69.00, 68.50, 68.00, 67.50, 68.00. Kerb: Three months £367.00, 67.50, 67.00, 66.50, 66.00. Afternoon: Three months £366.00, 67.00, 68.00, 69.00. Kerb: Three months £368.00, 69.00, 68.50, 68.00, 67.50, 68.50. Turnover: 22,225 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	354-5	-2.25	355.5-6	-11.5
3 months	367.5-8	-.5	368.5-9	-10.5
Settlem't	355	-2	—	......
U.S. Spot	—	......	*32.5	......

Zinc—Morning: Cash £436.00, three months £446.00, 45.00, 43.50, 44.00, 44.50. Kerb: Three months £444.00. Afternoon: Three months £443.00, 42.50. Kerb: Three months £443.00, 43.50, 43.00, 42.50, 43.00, 43.00, 43.50. Turnover: 11,350 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	436-.5	-4.5	435.5-6.5	-4.5
3 months	444-.5	-5.5	442-3	-7.25
S'ment	436.5	-4.5	—	......
Primw'ts	—	—	*44.50	......

Aluminium—Morning: Cash £599.50, three months £624.00, 24.50, 25.00, 24.00, 21.00, 20.50, 21.00, 21.50, 22.00. Kerb: Three months £621.00, 20.50. Afternoon: Three months £618.00, 20.00, 20.50, 21.00, 23.00, 26.00, 27.00, 27.50, 28.00, 27.00. Kerb: Three months £627.00, 26.50, 28.00. Turnover: 11,150 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	599-.5	-8.25	605-6	-1.5
3 months	622-.5	-7.5	627.5-8	-2¼

Nickel — Morning: Three months £2,920, 2,900, 05, 2,900. Kerb: Three months £2,880. Afternoon: Three months £2,880, 70. Kerb: Three months £2,880, 90. Turnover: 624 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2860-70	-52.5	2830-40	-75
3 months	2900-5	-85	2870-80	-87.5

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 14.2p an ounce lower for spot delivery in thi London bullion market yesterday at 453.55p. U.S. cent equivalents of the fixing levels were: spot 852.0c, down 18c; three-month 879.0c, down 17.9c; six-month 911.0c, down 17.5c; and 12-month 977.0c, down 18.6c. The metal opened at 462-466p (867-872c) and closed at 456-460p (862-867c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	453.55p	-14.2	458.75p	-9.75
3 months	470.05p	-14.1	474.95p	-10.8
6 months	488.00p	-13.5	—	......
12months	523.55p	-12.8	—	......

LME—Turnover 207 (201) lots of 10,000 ounces. Morning: Three months 471.5, 71.0, 71.5. Kerb: three months 471.5, 72.0. Afternoon: three months 474.0, 74.5, 76.0, 75.0, 74.5. Kerb: three months 475.0, 74.0, 74.5, 73.0.

COCOA

Futures eased gradually as sterling strengthened. Actuals business was scarce with manufacturers withdrawn although some producers offered cocoa close to current market levels, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
Dec	1175-78	-10.5	1180-70
March	1159-60	-18.0	1174-58
May	1161-62	-20.0	1176-58
July	1167-68	-10.0	1183-67
Sept	1176-77	-19.5	1190-77
Dec	1196-96	-20.0	1210-1186
March	1200-05	-20.5	—

Sales: 2,747 (1,344) lots of 10 tonnes. ICCO—Daily price for Dec 15: 96.31 (96.38); Indicator for Dec 16: 98.03 (96.02) U.S. cents per pound.

COFFEE

Robustas opened higher as expected but soon drifted, reports Drexel Burnham Lambert. Prices remained quietly steady on the lows against a better "C" performance.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Jan	1126-27	-11.5	1141-26
March	1114-15	-7.0	1123-13
May	1096-00	-11.5	1109-96
July	1095-98	-10.0	1104-0
Sept	1095-96	-8.5	1102-98
Nov	1093-94	-10.0	—
January	1091-00	-12.0	—

Sales: 1,871 (4,058) lots of 5 tonnes. ICO—1979 indicator prices for Dec 14: (U.S. cents per pound): Comp daily ICA 123.46 (122.52); 15-day average 122.24 (122.44).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 360, 367, nil; Jan 360, 365, nil; March 375, 377, 377; May 381, 385, 383; Aug 400, 402, 401; Oct 402, 405, 403-402; Dec 408, 412, 410; Jan 410, 412, 410; March 420, 422, 420; May 425, 430, nil. Sales: 40.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 489.0, 490.0, 490.0-486.0; March 496.0, 497.0, 497.0-494.0; May 505.0, 505.3, 505.5-504.2; July 513.5, 515.0, 514.0-512.0; Oct 510.5, 511.5, 511.5; Dec 518.0, 518.0, untraded; March 520.0, 526.0, untraded; May 526.0, 528.0, untraded. Sales: 67.

GRAINS

The market opened unchanged on new crop and 10p down on old crop. Jobber selling and long liquidation eased the market before the losses were erased, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Jan	108.00	+0.05	104.00	+0.20
Mar	111.65	+0.05	107.20	+0.05
May	114.90	+0.10	110.10	-0.05
July	117.65	+0.10	—	—
Sep	105.00	+0.05	101.05	+0.05
Nov	109.65	+0.05	104.90	+0.05

Business done—Wheat: Jan 108.00-107.65, March 111.65-111.30, May 114.90-114.70, July 117.65-117.55, Sept 106.00 only, Nov 109.55 only. Sales: 90 lots of 100 tonnes. Barley: Jan 104.00-103.65, March 107.05 only, May 110.05-109.90, Sept 101.00 only, Nov 104.85 only. Sales: 25 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent. Dec 110.75, Jan 117.50 transhipment East Coast sellers. English Feed fob, Jan/March 114.50 South Coast. Maize: S. African White, Dec 83. S. African Yellow, Dec 83. Barley: English Feed fob, Jan/March 110.75 East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 100.90, W. Midlands 101.30, N. West 103.60. The UK Monetary Coefficient for the week beginning Monday, December 21 (based on HGCA calculations, using five days' exchange rates) is expected to remain unchanged.

GAS OIL FUTURES

Prices eased in very light trading as interest in the physical market waned and traders hesitated to take new positions in the current political climate, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
December	320.00	-1.50	326.50-20.00
January	321.25	-0.75	322.00-20.50
February	321.25	-0.25	322.00-20.50
March	318.50	+0.25	318.50-17.75
April	314.50	-2.00	318.50
May	313.00	-1.75	318.00-12.50
June	312.50	-2.25	312.50
July	313.50	—	—
August	313.50	-0.50	—

Turnover: 390 (817) lots of 100 tonnes.

RUBBER

The London physical market opened slightly easier, attracting little interest throughout the day and closed easier. Lewis and Peat reported a December fob price for No. 1 RSS in Kuala Lumpur of 201.0 (205.5) cents a kg and SMR 20 174.5 (177.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	51.30-51.80	53.10-53.50	—
Feb	51.30-51.80	53.00-54.00	—
Jan-Mar	51.20-51.40	53.00-55.10	52.80-51.20
Apl-Jne	54.50-54.40	56.40-56.50	56.40-54.20
Jly-Sept	57.40-57.50	58.40-58.50	58.40-57.40
Oct-Dec	60.60-60.70	62.50-62.70	61.50-60.60
Jan-Mar	63.80-63.90	65.70-65.80	64.50-63.80
Apl-Jne	66.80-66.90	68.70-68.90	67.50-66.80
Jly-Sept	69.80-69.90	71.60-71.70	70.80-69.80

Sales: 466 (315) lots of 15 tonnes, nil (nil) lots of 5 tonnes.

Physical closing prices (buyers) were Spot 50.75p (52.25p); Jan 51.50p (52.75p); Feb 51.75p (53.00p).

POTATOES

LONDON POTATO FUTURES — The market rose in early dealings, but profit taking moved values lower to close a little above the lows, reports Coley and Harper. Closing prices: Feb 92.20, -1.60 (high 94.00, low 92.20); April 108.40, -1.40, (high 110.60, low 107.90). Nov 66.50, -0.50, (67.00 only). Turnover: 470 (623) lots of 40 tonnes.

SOYABEAN MEAL

The market opened £1 lower on trade selling, reports T. G. Roddick. Prices continued under pressure with fresh commission house selling.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
December	125.00-34.0	-2.00	—
February	130.00-30.5	-2.50	131.70-30.50
April	131.50-31.7	-2.70	134.50-32.00
June	131.20-31.5	-2.85	133.00-31.50
August	132.00-33.0	-2.50	—
October	132.00-34.5	-2.75	—
Dec	135.00-36.0	-2.50	—

Sales: 138 (89) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £170.00 (same) a tonne cif Dec-Jan shipments. White sugar daily price £170.00 (£173.00).

Prices were again contained within a narrow range in dull conditions, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Jan	170.00-72.70	173.00-75.00	174.00-72.25
March	175.25-75.55	178.25-78.50	178.25-75.00
May	177.85-77.75	180.00-80.50	180.50-77.50
Aug	181.90-81.10	185.25-83.45	185.50-81.00
Oct	185.50-85.70	187.90-88.00	188.00-85.50
Jan	186.00-87.75	187.80-89.70	—
March	191.00-92.00	193.00-94.00	191.00

Sales: 3,086 (2,573) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £375.00 (same) a tonne fob for home trade and £280.50 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for December 14: Daily price 13.06 (13.03); 15-day average 12.60 (12.51).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 228 tonnes. Steady offtake developed in spite of problems relating to deliveries. Attention was again centred on specialist types of African styles, as well as certain Middle Eastern qualities.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 83.2 to 89.2. Veal: Dutch Hinds and Ends 131.0 to 134.0. Lamb: English small 74.0 to 86.0, medium 78.0 to 84.0, Imported Frozen: New Zealand YLs 59.5 to 60.5. Pork: English, under 100 lb 49.0 to 56.0, 100-120 lb 48.0 to 55.5, 120-160 lb 43.5 to 53.5.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 104.23p per kg lw (+4.42). UK—Sheep 191.68p per kg est dcw (+6.55). GB—Pigs 84.02p per kg lw (+4.34).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Moroccan: Navels 48/113 4.30-4.80; Spania: Navels/Navelinas 42/120 4.50-5.40; Jaffa: Navels 88/144 4.85-5.35. Clementines—Spania: 3.40-4.20; Moroccan: 1/6 3.40-4.20. Satsumas—Spania: 3.00-3.40. Lemons—Cyprus: 3.30-4.50; Jaffa: 125/150 5.00-5.25; Italian: 60/150 5.50; Spania: 40/50 2.40-2.50; U.S.: 115 5.00. Grapefruit—U.S. Pink 32/48 6.20-7.50; Cyprus: Large cartons 3.60-4.50, small cartons 2.80-3.40; Jaffa: 36/88 3.80-4.55. Apples—French: New crop, Golden Delicious 20 lb 3.30-3.60, 40 lb 6.50-7.20, Starkcrimson 40 lb 7.00-8.00, 20 lb 3.40-4.00, Granny Smith 8.20-9.00; Canadian: Red Delicious 9.00-11.00; U.S.: Red Delicious 8.00-13.00; Hungarian: Starking 6.60-7.00. Pears — Dutch: Comice 14 lb 3.60-3.90, Conference per pound 0.14-0.20. Peaches—Zimbabwean: 4.50-5.50; South African: 4.50-5.50. Apricots—Australian: Per pound 1.00. Plums—U.S.: Per pound 0.40; South African: Per pound 1.00. Grapes — Spanish: Almeria 11 lb 2.60-3.00, Negra 3.50-4.00; U.S.: Almeria per pound 0.50, Red Emperor 0.70. Cherries—New Zealand: 1 lb 1.25. Strawberries—Kenyan: 8 oz 0.60-0.80; New Zealand: 8 oz 1.20-1.30. Litches—Mauritius: Per pound 1.00; South African: 0.90. Melons—Spanish: 10 kg 4.50-6.00, 15 kg A1 10.50-11.00. Pineapples—Ivory Coast: Each 0.40-1.10. Bananas — Colombian: Per pound 0.18-0.19. Avocados—U.S.: Large box 5.50-6.00, small box 2.50; Israeli: 3.60-4.20; Canary: Large box 5.00, small box 4.00. Mangoes—Kenyan: 8/16 6.00; Brazilian: 7.50-8.00. Pomegranates — Israeli: 3.30-3.60. Dates—Tunisian: 30's 0.50-0.60; U.S.: 0.44-0.45. Figs—Turkish: 48 x 8 oz 0.19-0.20. Tomatoes—Spanish: 2.50-3.80; Canary: 2.60-4.00; Moroccan: 2.00-2.40. Onions—Spanish: Grano 3/5 4.00-4.70. Capsicums—Dutch: 5 kg red 6.00; Canary: Green 4.00-4.20, red 5.00; Italian: Green 3.50. Cabbages—Dutch: White 2.80, red 3.00. Cauliflowers—Jersey: 24's 10.00-12.00. Celery—Israeli: 4.10-4.80; Spanish: 3.00-3.30. Carrots—Dutch: 20 lb 2.10, pre-pack 3.00-3.20. Lettuce — Dutch: 24's 2.80-3.00. Cucumbers—Canary: 2.80-3.00. Chicory—Belgian: 3 kg 2.20-2.50. Endive—French: 5.00-5.50. Fennel—French: 9 lb 3.50-4.00; Italian: 4.00. New Potatoes—Canary: 28 lb ware 6.00, mids 5.80; Italian: 0.15; Cyprus: 5.00. Aubergines—Canary: 5.50; Italian: 5.00; U.S.: Box 12.00. Chestnuts—Italian: 10 kg bags 8.80-12.00. Walnuts — Chinese: Per pound 0.44-0.45; U.S.: 0.60. Brazils—Per pound 0.40-0.42. Filberts—Per pound 0.38-0.40. Almonds—Per pound 0.48-0.50. Pecans—Per pound 0.85-1.00. Muscatels/Almonds — Spanish: 8 oz 0.45.

English Produce: Potatoes—Per 55-lb, White 2.20-2.60, red 2.50-2.60, King Edward's 2.80-3.20. Mushrooms—Per pound, open 0.40-0.60, closed 0.60-0.70. Apples—Per pound, Bramley 0.18-0.25, Cox's 0.20-0.30, Laxton's 0.14-0.16, Spartan's 0.20-0.25. Pears—Per pound Conference 0.14-0.20; Comice 0.18-0.24. Cauliflowers—Per 12, Lincoln 4.00-4.50. Cabbages—Per 30-lb bag, Celtic/Jan King 2.00-2.50. Lettuce—Per 12, round 1.00-1.60. Onions—Per 55-lb 40/80 mm 2.00-2.80. Carrots—Per 28/28-lb 2.00-2.80. Beetroots—Per 28-lb, round 1.20-1.80, long 1.80. Parsnips—Per 28-lb 2.50-2.80. Swedes—Per net 1.20-1.40. Sprouts—Per 20-lb 2.40-3.60. Celery—Per 16/36, Hassey 5.00. Brussels Tops—Per 25-lb 2.50. Spring Greens—Per 25-lb 3.00. Cornish 40-lb 4.00-4.50. Savoys—Per 25-lb 2.00. Rhubarb—Per 14-lb 3.60-4.20.

GRIMSBY FISH — Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£7.00, codlings £2.80-£4.60; Large haddock £4.60-£4.80, Medium £2.60-£3.50, small £1.50-£3.20; Large plaice £3.80-£4.30, medium £4.00-£4.40, best small £4.00; Skinned dogfish (large) £6.50-£9.50, (medium) £5.50; Lemon soles (large) £13.00, (medium) £11.00; Rockfish £3.80; Saithe £3.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 15 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1125/1155	+5	$1060/080
Copper			
Cash h grade	£857.5	-15.5	£959.5
3 mths	£881.25	-13.5	£885.25
Cash Cathode	£853	-16	£859
3 mths	£877.5	-13	£881
Gold troy oz	$414.5	-4	$399.5
Lead Cash	£355.75	-11.5	£347
3 mths	£368.75	-10.5	£362.5
Nickel	£3678.69	......	£4187.2
Free mkt	245/285c	......	225/75c
Platin'mtr'y oz	£260	......	£260
Freemkt	£214.05	-4.75	£199.75
Quicksilver†	$418/425	......	$418/425
Silver troy oz	453.55p	-14.2	482.80p
3 mths	470.05p	-14.1	437.00p
Tin Cash	£8,355	-105	£8337
3 mths	£8,187.5	-137.5	£8651.5
Tungsten22.0lb	$137.32	......	$142.61
Wolfrm 22.04lbs	$121/127	-2.5	$130/135
Zinc Cash	£436	-4.5	£443.75
3 mths	£442.5	-7.25	$457
Producers	$920/50	......	$1000
Oils			
Coconut (Phil)	$558y	-2	$590
Groundnut	‡	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$485x	......	$510
Seeds			
Copra Philip	$360	......	$350
Soyabean(U.S.)	$261.5x	......	$257
Grains			
Barley Fut. Mar	£107.30	+0.05	£103.75
Maize	‡		£127.25
Wheat Fut. Mar	£111.65	+0.05	£107.75
No2 HardWint	‡		‡
Other commodities			
Cocoa ship't*	£1255	-10	£1,191
Future Mar.	£1159.5	-18.0	£1129.5
Coffee Ft' Mar	£1114.5	-7	£1137
Cotton A.Index	67.55c	+0.15	72.30c
Gas Oil Jan.	$321.25	-0.75	$327
Rubber (kilo)	50.75p	-1.5	51.5p
Sugar (Raw)	£170w	......	£153
Woolt'ps 64s kl.	379p kilo	......	377pkilo

‡ Unquoted. w Dec-Jan. x Jan. y Jan-Feb. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

AMERICAN MARKETS

NEW YORK, December 15.

MARKETS CONTINUED to be dominated by the Polish situation. Precious metals attracted light support, whereas copper was under pressure on expectations of little change to demand fundamentals. The grain and soyabean complex remained under pressure on the possibility of a grain embargo. Livestock were limit down on fresh selling in sympathy with the grains. Heating oil was mixed with light buying developing in reaction to Israeli developments, reported Heinold.

Copper—Dec 72.20 (72.60), Jan 72.70 (73.20), Feb 73.55, March 74.35-74.45, May 76.10, July 77.80, Sept 79.65, Dec 82.20, Jan 83.10, March 84.85, May 86.60, July 88.35, Sept 90.10.

Potatoes (round whites)—Feb 69.5-70.5 (70.0), March 74.1-74.5 (74.4), April 83.0-83.3, Nov 77.5. Sales: 607.

¶Silver—Dec 867.0 (870.5), Jan 872.3 (876.0), Feb 881.2, March 883.0-891.0, May 910.0, July 933.0, Sept 951.5, Dec 982.3, Jan 992.5, March 1013.0, May 1033.5, July 1054.0, Sept 1074.5. Handy and Harman bullion spot: 858.00 (871.00).

*Gold—Dec 418.0 (413.5), Jan 419.0 (415.8), Feb 42.0-423.5, April 430.8-432.0, June 438.5-440.5, Aug 449.6, Oct 459.3, Dec 469.3, Feb 479.3, April 489.6, June 500.0, Aug 510.4, Oct 520.9.

*Platinum—Dec 404.5 (403.4), Jan 405.0-406.0 (403.4), April 415.5-416.0, July 427.6, Oct 440.3, Jan 457.5.

Sugar — No. 11: Jan 12.73-12.75 (12.78), March 13.08-13.10 (13.15), May 13.28, July 13.50, Sept 13.77-13.79, Oct 13.97-13.99, Jan 13.90-14.00, March 14.63, May 14.70-14.85. Sales: 4,901.

Tin—698.00-712.00 (704.00-719.00).

CHICAGO, December 15.

Lard—Chicago loose 17.50 (same).

Live Cattle—Dec 58.67-58.90 (60.17), Feb 55.32-55.32 (56.82), April 55.00-55.00, June 56.25-56.25, 56.02, Oct 55.25-55.15, Dec 56.50-56.30.

Live Hogs—Dec 39.25-39.40 (40.82), Feb 39.45-39.45 (40.95), April 37.35, June 40.25, July 41.40, Aug 40.40-40.45, Oct 40.00, Dec 41.90, Feb 43.50.

‡‡Maize—Dec 245¾ (249), March 263-263¼ (266¾), May 272½, July 277½-277¾, Sept 278¾, Dec 280½-280¾.

Pork Bellies—Feb 52.65 (54.65), March 52.70 (54.70), May 53.67, July 54.75, Aug 54.20.

†Soyabeans—Jan 623½-623 (631¾), March 633½-633 (640¾), May 645½-645½, July 656½-656, Aug 657, Sept 659, Nov 660½-661, Jan 676, March 693.

‖Soyabean Meal — Dec 186.5-186.8 (187.5), Jan 185.5-185.7 (187.7), March 186.6-186.7, May 188.5-188.0, July 189.5-189.1, Aug 190.0-189.5, Sept 190.0, Oct 191.5-191.0, Dec 194.0.

Soyabean Oil—Dec 19.15 (19.39), Jan 19.32-19.34 (19.61), March 19.92-19.94, May 20.52-20.54, July 21.05, Aug 21.10-21.15, Sept 21.30-21.35, Oct 21.35-21.40, Dec 21.70, Jan 21.65-21.70.

†Wheat—Dec 373-373½ (382), March 398-395 (407½), May 401½-402, July 402½, Dec 478.

WINNIPEG, December 15.

§Barley—Dec 118.90 (118.70), March 125.00 (124.00), May 128.70-128.80, July 131.70, Oct 133.50.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 234.79 (237.29).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

Monday's closing prices

††Cocoa—Dec 1980 (1998), March 2031 (2049), May 2044, July 2071, Sept 2101, Dec 2134, March 2174. Sales: 1,455.

Coffee—"C" Contract: Dec 148.45 (148.00), March 138.60-139.00 (137.49), May 132.50-132.70, July 130.30-130.50, Sept 128.25, Dec 125.50-126.00, March 122.00-124.00, May 120.00-124.00. Sales: 2,850.

Cotton—No. 2: March 62.53-62.55 (62.62), May 63.80 (63.82), July 65.00, Oct 67.00-67.25, Dec 68.30, March 69.45-69.50, May 70.52-70.60. Sales: 3,300.

Orange Juice—Jan 122.45-122.50 (125.00), March 123.45-123.50 (125.45), May 124.70, July 125.80-125.90, Sept 126.80-127.00, Nov 127.80-128.10. Sales: 1,200.

CHICAGO, December 14.

Chicago Imm Gold—Dec 414.0 (408.0), March 423.5-425.0 (416.0), June 436.8-437.2, Sept 452.0, Dec 471.0, March 482.5, June 498.3, Sept 514.3.

EUROPEAN MARKETS

ROTTERDAM, December 15.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn, Yellow: Afloat 119, Dec 119.50, Jan 119, Feb 122, March 124.50, April/June 127.50, July/Sept 130.75, Oct/Dec 131.50.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow, Gulfports: Dec10-31 254.75, Jan 255.50, Feb 258.75, March 260.50, April 261, May 262.75, June 263.50, July 265, Aug 265.25, Sept 265.75, Oct 264.50, Nov 264.50, Dec 268 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein. U.S.: Afloat 236, Dec 236, Jan 237, Feb 238, March 239, April/Sept 239, Nov/March 248 sellers. Brazil Pellets: Afloat 243.50 traded, Afloat 244, Dec 249.50, Jan 260, Feb/March April/Sept 243.50 sellers.

PARIS, December 15.

Cocoa—(FFr per 100 kilos): Dec 1210-1230, March 1240-1242, May 1255-1265, July 1275-1295, Sept 1295-1305, Dec 1310-1320, March 1325-1335. Sales at call: 1.

Sugar—(FFr per tonne): March 1895-1898, May 1942-1949, July 1960-1980, Aug 1995-2020, Oct 2040-2075, Nov 2040-2075, Dec 2065-2110, March 2090-2140. Sales at call: 91.

INDICES

FINANCIAL TIMES

Dec. 14	Dec. 11	Month ago	Year ago
247.37	247.17	251.23	259.96

(Base: July 1, 1952=100).

MOODY'S

Dec. 14	Dec. 11	Month ago	Year ago
973.3	970.6	987.0	1210.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Dec. 14	Dec. 11	Month ago	Year ago
Spot	358.98	360.86	358.82	424.48
Futures	362.41	365.38	374.93	478.72

(Average 1924-25-26=100)

REUTERS

Dec. 15	Dec. 14	M'nth ago	Year ago
1617.6	1618.4	1614.0	1713.6

(Base: September 18, 1931=100)

Stronger pound and helpful assistance by authorities in money markets impart stability to Gilt-edged stocks

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

* "New time" dealings may take place from 9.30 am two business days earlier.

Worries about higher interest rates were less noticeable yesterday, despite Monday's marginal increase in a U.S. Prime lending rate, and London stock markets began to resist recent downward trends. Sterling's rally was particularly beneficial to Gilt-edged securities along with yesterday's "helpful" operations by the Bank of England in the money markets.

The recovery in Gilts was helped, too, by the overnight improvement in U.S. bond values, *but a return to easier* conditions early yesterday in this market saw Gilts retreat from the best levels. *Longer-dated* stocks, which took the brunt of the recent fall, were as much as ¾ *higher* when *cheap buyers* found the market oversold, but the gains were pared finally to around ½. The *shorts*, up ¼ at one stage, closed generally ⅛ higher on balance, but the low-coupon *Treasury 3 per cent 1985* provided an exception with a rise of ⅛ to 72⅞.

Wall Street's sharp overnight fall made equity dealers wary and leading shares opened a penny or two easier. Once again, the early trade was enlivened by news items, and two most important of which were **Town and City's** agreed bid for **Berkeley Hambro Property** and **ICL's** call for £32.2m via a rights issue. *But investment interest* generally remained extremely slow.

The lack of selling, however, resulted in many leading prices gradually recovering as the tone improved on technical operations. A steadier New York *opening yesterday* encouraged a continuation of the movement after-hours and the FT Industrial *Ordinary share index* virtually regained its early fall; down 2.7 at the first calculation of the day and 1.9 off at 3.00 pm, the index ended only a net 0.1 down at 513.5.

The uninspiring performance of the underlying securities was reflected in Traded options which recorded a lethargic 499 deals—the lowest total since October. The majority of the business was transacted in two stocks: **ICI** attracted 58 calls and 35 puts, while **ICI** recorded 67 calls and 50 puts.

Among recently-issued Fixed Interest stocks, **Pennine Commercial** 15½ per cent loan 1986 fluctuated in first-time dealings; *after opening at £54, the stock* closed at £62½. The group's 12 per cent Convertible 1991 began at £68, but closed at £64.

Bank of Scotland peak

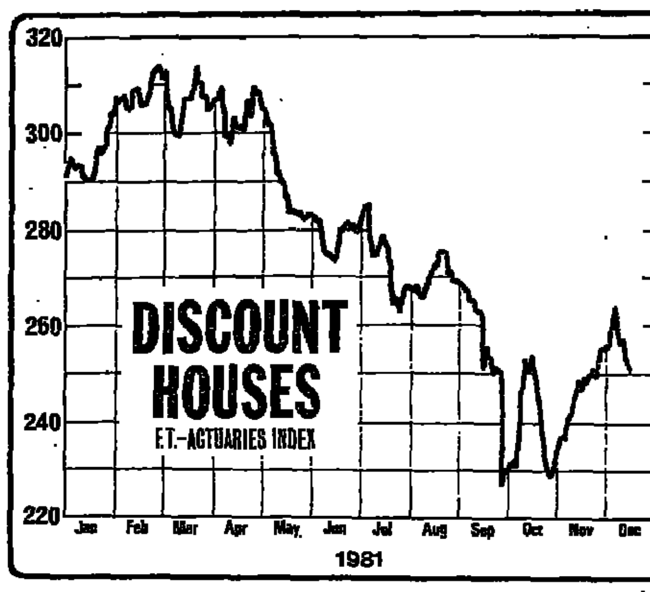
Bank of Scotland highlighted the banking sector, rising 15 to a 1981 peak of 473p on speculative buying fuelled by talk of an imminent bid from a foreign source. **Royal Bank of Scotland**, on the other hand, drifted down further to 173p before closing a couple of pence off at 177p on increasing fears that the Monopolies Commission will veto the controversial bid from Hongkong and Shanghai. Elsewhere, **Guinness Peat** lost 5 more to 93p awaiting the expected partial bid from the current President, Lord Kissin. The major clearers regained some composure after the previous day's dullness which stemmed from concern about Poland's heavy outstanding debt to British banks. **Midland** rallied 5 to 328p.

Insurances passed a quietly firm session. **Equity and Law** *put on 4 to 386p in response to* the increased interim dividend.

Arthur Guinness attracted *good support on yield considerations* and rose 5 to 86p following the maintained dividend and *satisfactory preliminary profits*. **Allied-Lyons** closed 1½ to the good at 69½p and other Breweries *held* close to the overnight psitions. In contrast, **H. P. Bulmer** lacked support and gave up 5 more to *300p*, but **Merrydown Wine** continued to make progress and advanced that amount to 43p.

Building issues presented a mixed appearance. **Aberthaw Cement** continued to attract occasional demand and improved 10 more to 360p, while **Blue Circle** edged up 3 to 478p. **J. Jarvis** firmed 4 to 202p and **Beechwood Construction**, reflecting the recovery in half-year profits, closed a shade harder at 16½p. **Barratt Developments**, in contrast, again trended easier at 200p, down 5. **Manders** gave up *4 to 123p* and **Ibstock Johnsen** 3 to 68p, while, on the half-year results, **May and Hassell** eased *2 more to 64p*.

ICI became a steadier market, fluctuating narrowly before *settling without alteration at* 278p.



Martin News jump

Leading Stores marked time for most of the session and although selected issues came in for sporadic support in the later trading, most closed little changed on the day. Secondary counters featured **Martin The Newsagent** which jumped 22 to 255p in a restricted market following comment on the interim results. Mail-orders took up a firmer stance and **Grattan**, 92p, recouped Monday's fall of 4.

The volume of business in the popular Electrical majors left a lot to be desired. However, a *late flurry of interest* helped them to close at the day's best with gains ranging to 7. **GEC**, 787p, ***Racal***, 420p, and **Thorn EMI**, 447p, all firmed that much, while **Plessey** appreciated 5 to *335p. Elsewhere, **George Scholes*** found support at 222p, up 7, but **Normand** shed 4 to 34p on *further consideration of the poor* first-half results. Awaiting Friday's preliminary statement, **United Scientific** relinquished 10 at 507p.

Leading Engineers closed with a slightly easier bias after an extremely slow day's trading. Among the scattered movements elsewhere in the sector, **Lake and Elliot** responded to the 14-month *figures with a gain of 4 to 37p*, while satisfactory half-year results left **Tex Abrasives** 2½ *dearer at 44½p. **Speedwell Gear***, up 4 at 22p, reflected news that Astra Securities and associates *had acquired a near-29 per cent* stake in the company. Comment on the interim results helped ***Crown House** to improve 3 to* 69p, but **Brasway**, at 75p, gave up 4 of the previous day's rise *of 7 which followed the half-*year figures and proposed one-for-two scrip issue. Fresh sporadic offerings left **Adwest** down 4 more at 176p, but **Davy Corporation** firmed 5 at 171p on talk of an overseas contract. **Prestwich Parker** were noteworthy for a reaction of 2 to 24p in smaller-priced issues.

Preliminary results from **Northern Foods** *were in line with* last month's forecast with the £43m rights issue, and the shares which had drifted down to 139p in front of the announcement, reverted to the overnight 142p. Other Food majors were again quietly traded and showed little change, but revived speculative demand lifted **British Sugar** 10 to 408p; **S. and W. Berisford**, which controls around 40 per cent of BS, firmed 6 to 128p. **Carr's Milling** gained the turn to 70p following the increased annual dividend. **Unigate** also added a penny, to 99p; the interim results are expected tomorrow.

Rank Org. up again

Still on talk of imminent asset sales or a possible bid from Xerox, **Rank Organisation** rose 9 for a two-day advance of 12 at 173p, the associated **A. Kershaw** rose 15 to 245p in sympathy. Elsewhere in miscellaneous industrials, **ICL** fell to 39p before closing a net 4 down at 42p *following the proposed £32.2m* rights issue which accompanied the results. Fading hopes of an *increased bid from* **RTZ** prompted a fresh fall of 10 to 196p in **T. W. Ward**, while ***Triefus*** *lost 4 to 66p on poor* interim figures. **Bestobell** remained a friendless market at *305p*, down 10, and **Redfearn National Glass** cheapened 2 to 118p on the reduced final dividend and £1.5m annual deficit. By way of contrast, **Kelsey Industries** rose 10 to 138p on the better-than-expected preliminary profits.

Intasun eased a penny to 99p on the chairman's warning of a second-half deficit. Other holiday concerns also turned easier with **Horizon** closing 9 cheaper at 271p, and **Saga**, 2 lower at 428p. In contrast, **Glasgow Pavilion**, 47p, recovered most of Monday's fall of 4 which followed the announcement of the *£0.24m* rights issue.

Coachbuilders **Plaxtons (GB)** rose 5 to 133p following the better-than-expected full-year earnings and maintained dividend. Elsewhere in Motor sectors, **Dowty** were briskly traded at 139p, up 4, but **Lucas** remained unsettled by the bearish tone of the chairman's statement at the annual meeting and fell 2 for a two-day loss of 9 at 207p.

A rising market of late on bid speculation, **Berkeley Hambro** jumped 53 further to 327p, after 330p, on the early-morning announcement of agreed bid terms from **Town and City**; the latter moved between extremes of 31½p and 28½p before closing a fraction harder on balance at 30⅝p. Elsewhere in Properties, **Churchbury Estates** put on 10 to 660p; London Trust has reduced its holding in the company to under 4½ per cent. **Property Holding and Investment** gained 4 to 160p following the sharply *increased half-year profits*, while **Regional** attracted buyers with the ordinary closing 7 up at 147p *and the A 4 dearer at 144p*. **Haslemere Estates**, down 10 more at 383p, were quoted ex *the £21.6m rights issue via 9 per* cent convertible unsecured loan 2001-06 stock: the latter opened at £7 premium and closed at £5 premium.

Leading Oils steady

Trading in leading Oils was extremely slow, but conditions were much steadier with quotations fluctuating narrowly and closing little altered on the day. Elsewhere, satisfactory half-year results left **Premier** 2 firmer at 57p. **KCA International** were supported and put on 5 to 137p along with **KCA Drilling**, 4 up at 70p.

Among Overseas Traders, **Tozer Kemsley** and **Millbourn** attracted renewed call option business and closed 3 dearer at 79p.

Trusts again showed falls of a few pence. Among Financials, ***Mercantile House** encountered* sporadic support and put on 10 to 415p, but **R. P. Martin** closed 5 easier at *300p. **English Association*** fell 10 to 145p in a limited market.

Golds lower

Mining markets retreated across a broad front in the face of profit-taking prompted by the *downturn* in precious and base-metal prices.

South African Golds were marked down *as the bullion price* dipped to close $4 off at $414.50 an ounce.

However, *towards the close of* trading share prices edged off the bottom following modest American support. The Gold Mines index, 333.8, relinquished 12.2 of the previous day's 14.2 rise.

In the heavyweights, losses of around a point were common to **Randfontein**, £33, and **Hartebeest**, £29, while **President Steyn** fell ¾ to £16½ and **St Helena** ½ to £17⅞. Lower-priced issues showed **Welkom** 39 lower at 573p.

Financials followed a similar pattern to Golds. Among South Africans, **De Beers** lost 10 to 362p and "**Amgold**" a point to £44¾.

London Financials were initially a shade easier but rallied well towards the close. The Bermuda-based **Minorco** dropped 21 to 415p and Ireland's **Silvermines** 8 to 74p.

Platinums were persistently sold, notably **Rustenburg** which gave up 16 to 234p.

Recent weakness in international stock markets, the downturn in metal prices and the lack of any further good news from the oil and gas drilling rigs prompted selling in Australians.

In particular, the oil and gas stocks were again sold with **Claremont** down a further 6 at 67p, after 66p. **Santos** eased 5 to 370p and **Oil Company of Australia** 3 more to 24p. Coals showed **Meekatharra** 35 lower at 460p.

Prominent among the leaders were **Pancontinental**, 10 off at 154p, **Western Mining**, 8 cheaper at 246p, and **MIM Holdings**, 6 down at 197p. **Paringa**, re-listed on Monday, gave up 2 to 60p.

FT Actuaries

The **Hire Purchase** sub-section (index 64) is to be discontinued at the year's end following the loss during 1981 of its two biggest constituents, *Lloyds and Scottish and United* **Dominions Trust**.

The three remaining constituents, **Cattle's Holdings**, **Provident Financial Group** and **Wagon Finance** will be transferred to **Miscellaneous Financial** (index 70) which will then be renamed **Other Financial**.

FINANCIAL TIMES STOCK INDICES

	Dec. 15	Dec. 14	Dec. 11	Dec. 10	Dec. 9	Dec. 8	A year ago
Government Secs...	62.50	62.33	62.73	63.45	63.58	63.87	68.11
Fixed Interest	63.30	63.32	63.52	63.90	64.33	64.50	70.10
Industrial Ord...	513.5	513.6	520.2	525.5	520.2	521.7	469.9
Gold Mines..	333.8	346.0	331.8	327.6	324.9	334.7	424.1
Ord. Div. Yield..........	5.87	5.88	5.80	5.74	5.81	5.79	7.57
Earnings, Yld. % (full)	10.23	10.24	10.13	10.02	10.13	10.10	16.98
P/E Ratio (net) (*)...	12.36	12.49	12.64	12.77	12.62	12.67	7.21
Total bargains........	15,800	13,548	12,500	15,335	16,083	17,304	18,187
Equity turnover £m.	—	85.86	82.05	114.35	118.02	98.51	122.32
Equity bargains.......	—	10,663	10,385	12,571	12,204	13 139	13,682

10 am 510.9. 11 am 511.8. Noon 511.2. 1 pm 511.7. 2 pm 511.7. 3 pm 511.7.

Latest Index 01-246 8026.

* Nil=11.05.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs...	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (5/1/75)
Fixed Int....	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.....	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines..	429.0 (14/9)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 14	Dec. 11
—Daily		
Gilt Edged Bargains..	147.9	142.4
Equities. Bargains...	69.1	67.3
Value.........	173.5	165.8
5-day Avrge.		
Gilt-Edged Bargains	162.2	171.2
Equities...... Bargains ..	76.4	81.4
Value.........	201.6	212.6

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (10)

BRITISH FUNDS (1)
Treas. 3pc 1982
BANKS (1)
Bank of Scotland
BUILDINGS (2)
Aberthaw Cement M.D.W.
STORES (1)
Steinberg
ENGINEERING (1)
United Wire Group
FOODS (1)
British Sugar
PROPERTY (1)
Berkeley Hambro
TEAS (1)
McLeod Russel
MINES (1)
Acmex

NEW LOWS (22)

BUILDINGS (1)
Cement Roadstone
CHEMICALS (2)
Leigh Ints. Morley (R. H.)
STORES (3)
Fine Art Dev. Time Products
Ratners
ENGINEERING (3)
Birmingham Mint Wagon Inds
Farmer (S. W.)
INDUSTRIALS (4)
Cawdaw Low & Bonar
Euroflame Scotcros
INSURANCE (1)
Ennia UK 9pc Conv.
TRUSTS (3)
Ambrose Inv. Inc. Kwahu
SPLIT Inc.
OILS (4)
Oil & Gas Prods. Pict Petroleum
Osprey Shackelton Pet.
MINES (1)
Whim Creek

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	83	—	8
Corpn., Dom. and Foreign Bonds ...	6	2	65
Industrials	143	296	915
Financial & Props.	64	116	329
Oils	8	50	49
Plantations	8	1	13
Mines	9	95	64
Others	4	102	45
Totals	325	662	1,488

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 14	Dec 29	Mar 25	Apr 5
Jan 4	Jan 15	Apr 15	Apr 26
Jan 18	Jan 29	Apr 28	May 10

For rate indications see end of Share Information Service

Options trade quietly. Calls were arranged in **RHM**, **Premier Oil**, **ICL**, **Hongkong and Shanghai**, **Town and City Properties**, **Lasmo**, **Royal Bank of Scotland**, **Pan Pacific Petroleum**, **Tozer Kemsley and Millbourn**, **ICI** and **FNFC**. No puts were reported, but doubles were taken out in **RHM**, **Grand Metropolitan**, **Town and City Properties**, **J. Sainsbury** and **Swire Pacific A**.

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. Amount	Times covered	Gross Yield	P/E ratio
§80	F.P.	8/1	84	80	✠A & G Sec. Elecs.5p	81		b2.75	2.3	5.0	25.6
—	F.P.	4/12	850	775	✠Asprey	825		35.0	3.3	5.9	6.2
168	F.P.	8/1	211	191	Cable & Wireless 50p	205	+1	b6.5	2.0	4.4	16.3
‡35	F.P.	—	35	33	✠City Site..	32		b0.5	1.2	2.2	55.1
225	F.P.	5/2	240	235	Comp.&Systs.Eng 20p	235		b3.15	3.6	1.9	15.0
82	F.P.	22/1	86	83	Cussins Prop.	83	−1	b4.9	2.0	8.4	6.1
80	F.P.	13/1	84	81	✠Equipu.	84		bd6.1	2.1	6.3	12.9
140	F.P.	18/2	167	170	Exco 10p	175	+2	b4.5	2.2	3.7	17.6
—	F.P.	—	10	0	F&C Enter. Warrants	10		—	—	—	—
61	F.P.	22/1	63	62	✠Good Relations Grp.	62		b2.5	2.0	5.8	12.3
§50	F.P.	9/12	50	39	✠Gr'nw'hCable&Cm.	39	−1	—	—	—	—
100	F.P.	22/1	109	101	✠Hardanger Prop..	101	−1	bd9.8	2.2	13.9	4.7
150	F.P.	4/1	165	157	✠Haytors	157	−3	b10.5	1.8	9.6	7.3
§10½	F.P.	2/12	18	14	✠Humberside El. 10p	18		—	—	—	—
53	F.P.	2/12	76	69	✠JohnstonesP'int10p	74		b3.53	2.6	6.8	7.7
100	F.P.	8/1	104	100	New Australia Inv.50p	102		—	—	—	—
US$4.25	F.P.	—	205	145	✠Nimslo Int. 20c.	150		—	—	—	—
—	F.P.	—	6	4½	Peck Hldgs.	5½	+½	—	—	—	4.6
35	F.P.	—	10½	8	Sampang (Java) 2½p	10½		—	—	—	—
—	50p	—	82	73	✠Saxon Oil..	70		—	—	—	—
§67	F.P.	18/12	70	68	✠Sheldon Jones.	69	−1	u3.5	2.4	7.2	7.4
†	F.P.	31/12	33	31	✠Television South10p	33		—	—	—	—
—	F.P.	—	6	4½	Viners 1p	4½		—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price
97.46	£25	—	26½	25¼	Caisse Nat. Des Auto. 16% Gtd. Ln. 2006	25¾
100	£10	25/2	13	12	Essex Water 10% Red. Prf. 1986	12¼
11	Nil	—	7	5	Haslemere Est 9pc.Conv Uns Ln. 2001/06	5pm
∈∈	F.P.	—	143p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf	147p
§100	F.P.	—	100½	99	Nat'wide Bdg.Society 15⅞% Bds (24/11/82)	99
§100	F.P.	—	100	99¼	Do. 15⅞% Bds. (13/12/82)	99¾
∈∈	F.P.	—	68	64	Pennine Comm.12pc.Conv.Uns.Ln.1991	68
∈∈	F.P.	—	63½	54	Do. 15½ pc. Uns. 1986	63½
—	F.P.	—	135	116	Viners 10% Cnv. Loan 1988	118

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price
7½	Nil	31/12	29/1	1pm	½pm	Abwood Mach.	[illegible]
142	Nil	29/12	29/1	15½pm	13pm	Brown (M)	13pm
2.5A$	Nil	—	—	98pm	60pm	C S R	75pm
162	F.P.	23/12	21/1	21pm	15pm	Great Portland Estates	16pm
7½	Nil	18/12	15/1	2pm	¼pm	Raglan Prop.	1¼pm
50	Nil	17/12	21/1	1pm	½pm	Strong & Fisher.	[illegible]
05 cts	Nil	10/12	28/1	117pm	105pm	T N T	115pm

Renunciation date usually last day for dealing free of stamp duty. [illegible] based on prospectus estimate. *d* Dividend rate paid or payable on [illegible] capital; cover based on dividend on full capital. *g* Assumed dividend and [illegible]. *h* Assumed dividend and yield after scrip issue. *m* Interim since [illegible] resumed. *u Forecast dividend: cover based on previous year's* [illegible]. F Dividend and yield based on prospectus or other official estimate [illegible]. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares [illegible] now ranking for dividend or ranking only for restricted dividends. [illegible] price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. [illegible] warrants. †† Dealings under special Rule. ✠ Unlisted Securities [illegible]. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued [illegible] comprising 33 Ordinary and £5 Loan 1986-88

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Berkeley Hambro	327	+53	Martin Newsagent	[illegible]	[illegible]
Claremont Pet	67	− 6	Meekatharra	[illegible]	[illegible]
Dowty	139	+ 4	Rank Organisation	[illegible]	[illegible]
Guinness (A.)	86	+ 5	Town and City	[illegible]	[illegible]
KCA International	137	+ 5	Unilever	[illegible]	[illegible]
Lake and Elliot	37	+ 4	Ward (T W)	[illegible]	[illegible]

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Mothercare	14	168	—	Sun Alliance	10	[illegible]	[illegible]
GEC	11	780	− 3	BP	9	[illegible]	[illegible]
BAT Inds	10	337	− 1	Euro Ferries	9	[illegible]	[illegible]
Cable & Wire	10	204	—	Leslie Gold	9	[illegible]	[illegible]
ICI	10	278	− 6	LASMO	9	[illegible]	[illegible]
Plessey	10	330	− 3	GUS A	8	408	[illegible]
Rank Org	10	164	+ 3	Guinness Peat	8	98	[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tues Dec 15 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Dec 14 Index No.	Fri. Dec 11 Index No.	Thurs. Dec. 10 Index No.	Wed. Dec. 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	344.86	+0.2	10.40	4.62	11.84	344.06	346.97	349.60	347.31	285.37
2	Building Materials (25)	296.43	−0.1	15.26	5.79	7.49	296.79	300.43	301.83	299.65	242.13
3	Contracting, Construction (28)	521.75	—	18.00	5.41	6.49	521.92	528.47	527.73	526.15	398.75
4	Electricals (30)	1197.51	+0.9	8.30	2.47	15.05	1187.12	1191.83	1204.33	1196.09	949.84
5	Engineering Contractors (9)	470.62	+0.1	13.46	5.90	8.68	470.23	475.03	475.54	472.95	375.34
6	Mechanical Engineering (66)	186.53	−0.2	11.44	5.84	11.13	186.97	188.90	189.69	188.56	172.39
8	Metals and Metal Forming (12)	159.55	−0.5	8.64	7.61	15.65	160.38	161.84	162.80	162.88	139.34
9	Motors (21)	90.88	−0.1	—	7.50	—	91.00	92.57	93.05	92.38	90.58
10	Other Industrial Materials (18)	359.46	−0.3	9.30	6.39	13.03	360.68	365.75	371.34	366.91	0.00
21	CONSUMER GROUP (198)	263.11	+0.1	13.75	6.26	8.93	262.81	265.86	268.36	265.36	238.44
22	Brewers and Distillers (20)	268.81	+0.2	17.23	7.17	6.94	268.27	269.99	276.43	271.54	265.58
25	Food Manufacturing (21)	258.57	+0.3	15.96	6.58	7.55	257.88	261.12	261.76	260.60	213.46
26	Food Retailing (15)	536.30	—	9.91	3.65	12.21	536.35	544.42	547.59	546.75	449.27
27	Health and Household Products (7)	335.37	—	9.36	4.77	12.56	335.49	340.85	341.81	335.75	240.52
29	Leisure (24)	413.26	+0.3	9.89	5.35	12.59	412.18	414.65	418.78	416.25	350.50
32	Newspapers, Publishing (12)	477.18	−0.5	12.92	6.32	11.22	479.79	483.93	483.16	478.49	426.78
33	Packaging and Paper (13)	128.13	—	16.09	8.41	7.41	128.13	130.42	131.83	130.45	113.72
34	Stores (46)	235.21	+0.1	12.25	5.74	10.94	235.00	238.45	241.02	237.29	247.39
35	Textiles (23)	150.18	—	10.57	6.58	12.23	150.12	152.15	153.43	152.51	123.73
36	Tobaccos (3)	251.26	—	23.03	10.37	4.99	251.23	252.41	254.49	251.48	203.59
39	Other Consumer (14)	242.99	−0.5	7.93	7.44	20.87	244.11	248.86	283.15	245.32	0.00
41	OTHER GROUPS (80)	222.93	+0.3	11.42	6.27	11.13	222.35	223.96	225.61	223.65	216.61
42	Chemicals (16)	285.63	+0.1	6.33	6.34	24.71	285.21	288.99	291.76	287.76	293.41
44	Office Equipment (4)	116.92	+3.5	15.60	7.53	7.64	113.09	111.72	110.92	111.16	104.07
45	Shipping and Transport (13)	497.23	−0.1	21.55	7.43	5.52	497.79	502.65	505.30	507.37	540.51
46	Miscellaneous (47)	286.44	−0.1	12.67	5.65	9.63	286.66	287.81	290.17	287.52	262.18
49	INDUSTRIAL GROUP (487)	285.30	+0.2	12.15	5.63	10.16	284.79	287.59	290.81	287.36	252.02
51	Oils (13)	759.38	+0.2	18.98	7.53	5.97	758.04	763.79	778.97	759.68	953.22
59	500 SHARE INDEX	322.95	+0.2	13.42	5.93	8.99	322.38	326.14	329.59	325.83	307.42
61	FINANCIAL GROUP (119)	250.35	+0.3	—	6.07	—	249.60	253.17	255.64	254.19	232.30
62	Banks(6)	272.07	+0.4	32.99	6.92	3.57	270.91	276.29	280.47	279.83	247.64
63	Discount Houses (9)	250.75	−0.8	—	8.83	—	252.82	257.86	256.81	259.54	274.35
64	Hire Purchase (3)	226.69	−0.9	13.72	8.16	10.09	228.73	227.85	228.40	228.40	199.22
65	Insurance (Life) (9)	248.21	+0.7	—	6.45	—	246.51	250.05	258.92	252.33	220.34
66	Insurance (Composite) (10)	155.24	+0.5	—	8.63	—	154.40	156.63	158.70	159.15	144.73
67	Insurance Brokers (8)	408.01	−0.2	11.41	5.94	11.87	408.72	412.66	411.24	407.22	329.15
68	Merchant Banks (12)	151.84	−0.3	—	5.38	—	152.25	153.57	153.31	150.79	145.01
69	Property (50)	453.55	+0.1	4.87	3.22	27.46	453.02	458.48	459.23	455.38	439.43
70	Miscellaneous (12)	173.27	+0.3	17.39	6.08	7.09	172.80	174.53	175.99	174.39	140.52
71	Investment Trusts (110)	283.80	−0.1	—	5.70	—	284.01	286.86	288.42	286.81	278.29
81	Mining Finance (4)	241.20	−0.2	14.29	5.09	8.42	241.79	239.84	242.70	242.97	227.40
91	Overseas Traders (17)	407.02	+0.5	12.94	7.82	9.43	405.11	409.12	408.94	401.31	421.47
99	ALL-SHARE INDEX (750)	306.66	+0.2	—	6.01	—	306.11	309.58	312.59	309.50	290.55

FIXED INTEREST

	PRICE INDICES	Tues Dec 15	Day's change %	Mon Dec 14	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	104.82	+0.22	104.59	—	10.97
2	5-15 years	99.55	+0.29	99.44	0.17	12.39
3	Over 15 years	101.70	+0.26	101.43	—	13.07
4	Irredeemables	110.75	+0.50	110.20	—	13.73
5	All Stocks	101.70	+0.26	101.50	0.06	12.07
6	Debentures & Loans	79.31	+0.08	79.25	—	10.92
7	Preference	60.70	—	60.70	—	6.82

	AVERAGE GROSS REDEMPTION YIELDS		Tues Dec 15	Mon Dec 14	Year ago (approx.)
	British Government				
1	Low	5 years	13.58	13.61	12.13
2	Coupons	15 years	14.01	14.04	12.35
3		25 years	14.03	14.04	12.13
4	Medium	5 years	16.09	16.18	13.78
5	Coupons	15 years	15.96	16.00	14.14
6		25 years	15.36	15.38	13.97
7	High	5 years	15.95	16.05	13.94
8	Coupons	15 years	16.15	16.19	14.35
9		25 years	15.55	15.59	13.94
10	Irredeemables †		13.34	13.41	11.73
11	Debs & Loans	5 years	16.68	16.68	14.49
12		15 years	16.45	16.48	14.52
13		25 years	16.31	16.31	14.36
14	Preference †		16.40	16.40	14.46

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	64.9	69.8	-1.8	2.08
Capital	37.9	41.0	-0.1	4.15
(Accum. Units)	49.0	53.6	-0.2	4.15
General	58.3	63.0	-0.2	4.87
Gilt & Fixed Int.	94.7	99.7xd	+0.5	13.14
Income	36.4	39.4	.....	8.91
Worldwide Bond	106.9	113.2xd	-0.4	5.92
Inv. Tst. Fd.	50.6	54.7	-0.1	4.38
Equitas Prog.	82.1	86.8xc	-0.6	4.61

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	82.5	86.8	+0.4	13.99

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds				
Allied 1st	89.2	95.4	-0.2	5.65
Brit. Inds. Fund	75.4	80.7xd	-0.3	6.02
Growth & Income	56.0	60.6	.....	4.14
Elect. & Ind. Dev.	46.1	49.3	-0.1	4.87
Allied Capital	96.9	103.7	-0.2	4.81
Hambro Fund	132.2	141.5xd	-0.5	5.94
Hambro Acc. Fund	194.9	208.5	-0.3	4.80
Income Funds				
High Yield Fd.	64.1	68.6	-0.1	9.27
High Income	53.1	56.8	-0.2	7.37
Equity Income Fd.	46.9	50.2	-0.2	7.35
Govt. Secs.	22.4	23.0xd	+0.1	13.83
International Funds				
International	36.8	39.4	-0.5	2.36
Japan Fund	29.7	31.8xd	.....	0.52
Pacific Fund	73.6	78.8xd	-0.9	1.03
Secs. Of America	85.7	91.7xd	-2.2	2.62
Specialist Funds				
Smaller Co.'s Fd.	56.6	60.6	.....	3.08
2nd Smlr. Co's Fd.	69.9	74.8	-0.2	4.01
Recovery	27.5	29.4	-0.1	4.80
Met. Min. & C'dty.	54.7	64.2	-0.9	5.78
Overseas Earnings	76.9	82.3xd	-0.1	4.98

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632

American (z)	27.8	30.2	-0.6	1.63
Australian (z)	24.3	26.4	-0.5	0.95
Far Eastern Tst. (z)	43.3	47.0	-0.4	1.21
High Income	33.2	36.0	-0.1	12.23
Intl. Trust (z)	50.3	54.7	-0.2	1.38
Basic Resources Tst.	48.4	52.6	-1.0	2.14
Incm. Growth Tst.	24.0	26.1	-0.1	8.56
Pref. & Gilt Tst.	18.7	20.3	.....	15.71
Smaller Co's Trust	27.6	30.0	+0.1	3.63

Charterhouse Fund Managers(g)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.8	17.0	-0.2	3.81
International	64.8	70.8	-1.8	1.15
High Income	27.5	29.7	-0.1	11.95

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	73.7	77.5	-1.1	3.72

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	33.5	36.5	-0.1	12.50
North American	61.6	66.5	-0.6	2.57
Canadian Exempt*	65.2	69.1xd	-0.6	3.06
Canadian Trust	54.7	59.1xd	-1.5	2.98
Mid Mount High Inc.*	60.6	65.1	-0.7	10.39
Recovery	51.1	55.0	+0.5	3.92
Gilt Trust	28.1	30.9xd	.....	14.42

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	43.8	47.3xd	-1.0	0.53
Cres. Internat'l.	92.1	99.3	-1.0	1.53
Cres. High. Dist.	41.8	45.1xd	.....	9.70
Cres. Reserves	50.3	54.3	-0.1	5.52
Cres. Tokyo	41.2	44.4	.....	0.28

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.1	24.5	.....	8.98

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Dec. 4	240.4	256.4xd	.....	5.21

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.7	22.0	.....	7.92
Gt. Winchester O'seas	31.7	35.2	.....	3.55

INSURANCE PROPERTY BONDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
98¼	91⅞	Treasury 3pc '82‡‡	98 1/16	+1/16	3.05	14.66
107	99¾	Treasury 14pc '82‡‡	99⅝	+1/16	14.05	15.23
99 11/16	98 3/16	Treas. Variable '82§§	99⅝	......	15.14	15.90
95 13/16	93 11/16	Treasury 8¼pc '82	96⅛xd	......	8.56	15.52
96 7/16	93 15/16	Exch. 9¼pc 1982	95½	......	9.68	15.54
95⅝	92⅝	Exch. 8¾pc 1983	94¼xd	......	9.23	14.89
92¼	84⅞	Exch. 3pc 1983	90¼	+⅛	3.32	12.03
99⅝	95	Treasury 12pc 1983‡‡	96⅛	......	12.48	15.46
99⅝	96⅛	Treas. Variable '83§§	99 7/16	......	15.17	15.48
94½	90⅛	Treasury 9¾pc '83	92⅞xd	+⅛	9.95	14.55
101 13/16	95¼	Exch. 13½pc '83	97¼	+⅛	13.88	15.16
94⅛	89¾	Exch. 10pc 1983	92¼	+⅛	10.84	14.62
88½	83½	Funding 5½pc '82-84‡‡	87xd	+¼	6.32	12.86
96¼	90	Exch. 11¼pc 1984	92½	+¼	12.16	15.34
103 3/16	95¼	Exchequer 14pc. 1984	97¼	+¼	14.39	15.40
82⅞	77	Exch. 3pc 1984	80⅜xd	+⅛	3.73	12.39
98⅜	90½	Treasury 12pc 1984	92⅛	+¼	13.02	15.54
107¼	95⅞	Treasury 15pc 1985	97⅝	+¼	15.36	15.90
98⅞	88¼	Exch. 12pc Cnv. '85	90	+¼	13.33	16.02
76	71	Treasury 3pc 1985	72⅝	+½	4.13	13.19
96 3/16	85¼	Treasury 11½pc 1985	88¼xd	+¼	13.04	15.04
98⅞	87⅝	Exch. 12¼pc 1985	89¾	+¼	13.64	15.83
97⅛	84¼	Exch. 11¾pc '86	86¾	+¼	13.54	16.16
70 3/16	65¼	Treasury 3pc 1986	68½	+⅜	4.37	12.48
97 13/16	84½	Treasury 12pc '86	87¾	+¼	13.67	15.93
88½	78½	Treasury 8¼pc '84-86‡‡	80⅞xd	+⅛	10.53	14.33
40⅛	36 13/16	Exch. 14pc 1986##(£40 pd)	37½	+¼	15.01	16.04

Five to Fifteen Years

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
103⅞	92¼	Exch. 13¼pc 1987	96⅝	+¼	14.51	15.76
81¼	71⅛	Funding 6½pc '85-87‡‡	73⅝	+⅛	8.90	13.74
91	81½	Treas. 12pc 1987	85¼	+¼	14.22	16.20
81⅛	73¼	Treasury 7¾pc '85-88‡‡	76	+⅛	10.62	14.55
65½	58⅝	Transport 3pc '78-88	60¼	+⅛	4.97	11.89
92¼	79½	Treasury 11½pc 1989	83⅛	+¼	14.47	16.43
67¼	59⅛	Treasury 5pc '86-89	62¼	+⅛	8.08	12.85
101½	85¼	Treasury 13pc 1990‡‡	86xd	+¼	14.93	15.92
95 7/16	81⅝	Exch. 12½pc 1990	85⅝	+¼	15.11	16.37
80⅜	70⅛	Treasury 8¼pc '87-90‡‡	70⅞xd	+⅛	11.72	14.41
93⅛	77¼	Treasury 11¾pc 1991	78xd	+¼	14.91	16.32
66⅜	57	Funding 5¾pc '87-91‡‡	59¼	+⅛	9.53	13.76
90	72⅝	Exch. 11pc 1991	76⅛	+¼	14.70	16.12

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

CANADIANS—Continued

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Contd.

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

330	85	Colby Res. Corp.	130	......	—	—	—
330	200	Cons. Murch. 10c.	300	......	Q60c	♦	11.5
10	5½	‡‡Explaura Gold	5½	......	—	—	—
98	47	††Hemerdon 10c.	65	......	—	—	—
180	65	Highwood Res.	75	−10	—	—	—
505	260	Northgate C$1	270	−10	—	—	—
633	372	R.T.Z.	457	−3	16.0	2.3	5.0
£130½	£93½	Do.9¾%Cn.Ln.'95-2000	£99	......	Q9½%	—	10.9
103	13	††SPO Minerals 10p	22	−1	—	—	—
47	17	Sabina Inds. C$1	19	......	—	—	—
44	21	‡Southwest C. 10p	30	+2	—	—	—
650	465	Tara Exptn. $1	545	+20	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- $ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	−1	**IRISH**		
Bertrams	17	......	Conv. 9% '80/82	£95⅝	......
Bdg'wtr. Est. 50p	485	−5	Nat. 9¾% 84/89	£78½	+⅛
Craig & Rose £1	£13xd	......	Fin. 13% 97/02	£74⅝	......
Finlay Pkg. 5p	25½	......	Alliance Gas	77	......
Graig Ship. £1	£18	......	Arnott	290	−10
Higsons Brew	73	......	Carroll (P.J.)	82	......
Holt (Jos) 25p	515	......	Concrete Prods.	90	......
I.O.M. Stm. £1	150	......	Heiton (Hldgs.)	25	......
Pearce (C. H.)	810	......	Irish Ropes	36	......
Peel Hldgs.	116	......	Jacob	67	......
Sheff. Refrshmt.	83xd	−1	T.M.G.	16½	+½
Sindall (Wm.)	190	......	Unidare	56	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	13	Utd. Drapery	6½
Allied-Lyons	6½	I.C.I.	18	Vickers	15
BOC Intl.	11	"Imps"	5	Woolworths	4½
B.S.R.	7½	I.C.L.	5		
Babcock	9	Ladbroke	13	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	17	Lex Service	9	Cap. Counties	10
Blue Circle	38	Lloyds Bank	28	Land Secs.	30
Boots	18	"Lofs"	3½	MEPC	20
Bowaters	19	London Brick	6½	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	28	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr.	10		
Burton Ord.	12	Midland Bank	26	**Oils**	
Cadburys	8	N.E.I.	7	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	9	Charterhall	6
Distillers	16	Plessey	26	KCA	19
Dunlop	6½	Racal Elect.	34	Premier	7
Eagle Star	25	R.H.M.	7	Shell	28
F.N.F.C.	4	Rank Org. Ord.	14	Tricentrol	25
Gen. Accident	30	Reed Intnl.	23	Ultramar	40
Gen. Electric	55	Sears	5		
Glaxo	32	Tesco	5	**Mines**	
Grand Met.	15	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	35	Trust Houses	11	Cons. Gold	40
Guardian	30	Tube Invest.	12	Lonrho	7
G.K.N.	32	Turner & Newall	7½	Rio T. Zinc	45
Hawker Sidd.	25	Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Wednesday December 16 1981

GEC set to win £188m contract for Seoul metro

BY JASON CRISP

A CONSORTIUM led by the General Electric Company (GEC) looks set to win a contract worth $350m (£188m) to supply equipment for the Seoul underground railway in South Korea.

A letter of intent has been sent to GEC's Transportation Projects (TPL), which led the consortium and contracts are expected to be finalised within 90 days, says Mr Harry Kline, managing director of TPL. If the contract is confirmed it would mean that the British-led consortium would have won the largest share of the latest contracts for the Seoul underground in competition with Japanese, U.S. and French consortia.

The main part of the potential contract is to supply 402 coaches. GEC Traction, with factories at Preston, Trafford Park and Sheffield, will supply $150m of electrical equipment for the coaches. It is one of GEC Traction's largest single orders, comparable with the Hong Kong metro. The coaches will be made by Daewoo Heavy Industries, GEC's South Korean partner.

As part of the contract Vickers Projects hopes to win an order to supply maintenance facilities worth about £5m and Pandrol an order to supply £2m of clips to hold the rails in place.

Ten companies originally bid for lines three and four of the Seoul metro. Contracts for the first two lines had been exclusively awarded to Japanese companies. Four consortia were shortlisted including Budd and Westinghouse from the U.S. Alsthom Atlantique from France, Mitsubishi with Marubeni from Japan and the British consortium led by TPL.

Contracts worth $180m were awarded to other consortia, including a $100m contract to Westinghouse to supply the electrical signal and communications equipment.

Other contracts won by TPL include a £150m electrification and signalling contract for railways in Brazil and an £80m contract for the electrification of railways on the west coast of Taiwan.

The financing of the South Korean contract is being arranged by Lazards, with the British element supported by the Export Credit Guarantee Department.

The civil engineering element for the underground is being carried out by Korean subcontractors. The equipment is to be supplied over three to four years. According to GEC Traction the contract is worth 10-15 per cent of annual turnover and will ensure a continuing level of employment for its 3,500 staff.

Lonrho looks for release on Fraser curb

By John Moore

LONRHO, the controversial international trading conglomerate headed by Mr Roland "Tiny" Rowland, is attempting to gain a release from undertakings imposed by the Department of Trade.

The undertakings require Lonrho not to buy more shares in the House of Fraser. Mr Rowland claimed last night that it could be "weeks rather than months before we bid again for Fraser."

The latest development in Lonrho's plans to take-over the stores group, which owns the Harrods store in Knightsbridge, came when the Department of Trade announced yesterday that Lonrho had completed its undertakings. In the undertakings Lonrho has said it will not proceed with the acquisition of Fraser.

The undertakings were required by the Department of Trade following a Monopolies and Mergers Commission investigation which ruled that a takeover of Fraser by Lonrho would be against the public interest.

Lonrho, which holds a 29.99 per cent stake in Fraser, has identified what it considers to be an important "escape clause" in the undertakings. The Department has said that it will "be prepared to consider at any time representations from Lonrho that in the light of new circumstances Lonrho should be released from the undertakings or that the undertakings should be changed."

There was a 45-minute meeting yesterday between Mr John Biffen, the Trade Secretary, and Lord Duncan-Sandys, chairman of Lonrho, Mr Rowland, who is Lonrho's chief executive, and Mr Edward du Cann, MP, a Lonrho director. Afterwards Lonrho said, "What we intend to do is to analyse the Monopolies Commission report immediately and remove such criticisms as exist if they make commercial sense.

Some points of criticism will be dealt with by arguing that they are not correct. Lonrho will tackle areas where it feels it has been "picked on" by the Commission, such as its textile interests and the possible influence on the House of Fraser.

The Commission was apprehensive that preferential treatment of Lonrho Textiles might damage fair competition and be seriously detrimental to some suppliers of House of Fraser.

Town & City acquires Berkeley Hambro Property for £60m

BY MICHAEL CASSELL

AN AGREED bid worth nearly £60m for Berkeley Hambro Property, the property investment and development arm of the Hambros Group, was unveiled yesterday by Town and City Properties.

The move represents a bold step for Town and City, where efforts to record profits for the first time since 1974 have been continuously frustrated by a huge debt burden.

The acquisition of Berkeley Hambro comes at a time when Town and City is finally poised to return to profitability. The deal is designed to help complete its seven-year rehabilitation.

Mr Jeffrey Sterling, chairman of Town and City, said last night: "The financial structures and property portfolios of the two companies are entirely complementary. The cash resources of Berkeley Hambro allied to the geared portfolio of Town and City will result in the combined group having a strong financial structure."

Mr Sterling said it was hoped to pay a meaningful dividend on Town and City ordinary shares in the financial year beginning April 1982. The group has been paying only nominal dividends, to retain its trustee status.

The offer involves a package of ordinary and convertible preference shares or a cash alternative. Hambros Limited, which holds 42.7 per cent of Berkeley Hambro's ordinary shares, and Prudential Assurance, with a further 14.1 per cent, have accepted the offer and undertaken not to opt for cash.

Hambros yesterday arranged, via Panmure Gordon, a placing of its new convertible shares at the cash alternative price. As a result, Legal and General—one of the purchasers—established a 2½ per cent holding in Town and City.

Town & City could have had to find up to £25m to meet purchase costs but this has been underwritten.

The acquisition means it will not only be picking up a property portfolio currently valued at about £51m but also about £25m in cash and deposits held by Berkeley Hambro.

Town & City has debts of about £166m, about equal to shareholders' funds, and a £102m surplus thrown up by the new revaluation. It values its own portfolio at about £348m.

The group also announced yesterday that it is to buy on a phased basis the 57.4 per cent convertible share stake owned by Barclays Bank, its principal bankers.

Barclays has also agreed to extend until 1993 its present term loan, which at present matures in 1988. The loan stands at £56m. It will continue to be repaid at £4m a year.

Details, Page 21

Public sector pay rises sharply

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THANKS to comparability awards and other factors public sector pay has risen more rapidly than pay in the private sector, according to figures published by the Treasury yesterday.

The figures underline the Government's determination to hold next year's public sector pay increases to less than half the expected rate of inflation.

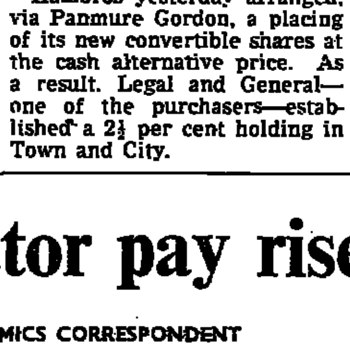
The recently published public spending plans for 1982-83 are based on the assumption that public sector pay increases will be 4 per cent. However, the annual rate of consumer price inflation is expected to fall only to about 10 per cent by the end of next year after reaching about 12 per cent in January.

The increase in the public sector's relative pay since the Government came to office followed an almost equally steep fall between 1976 and 1979.

Treasury calculations show that the relative pay in the public sector was 10 per cent higher in 1976 than in 1970, the base year for its estimates.

The same general pattern is evident for the relative pay in central government, local authorities and public corporations.

However, the swings were most marked in local government where pay relative to the private sector had improved nearly 13 per cent by 1976, but fell back three years later to 3 per cent below the figure for 1970.



The main difference in the central government service was that the changes were less pronounced and relative pay fell this year after reaching a peak in 1980.

The Treasury's calculations, published in its December Economic Progress Report, are based on data from the Department of Employment's New Earnings Surveys'

Eric Short writes: The report shows that employees are expected to pay an extra £1.64bn in National Insurance contributions in the next financial year, while employers will pay an additional £924m.

Sir Geoffrey Howe, Chancellor of the Exchequer, announced in his economic package at the beginning of the month that employees' NI contribution rates were to be lifted 1 per centage point from next April to 8¾ per cent for employees in the State scheme and 6½ per cent for those contracted out. In addition, the weekly earnings ceiling on which contributions are levied was to be raised from £200 to £220.

The report shows that the higher contribution rate will cost employees £992m, while the higher ceiling will cost a further £105m. The remaining £542m increase comes from the expected rise in earnings.

Employers' contribution rates are not being increased. Nevertheless, employers will be paying an extra £187m because of the higher earnings ceiling, and £737m because of higher earnings generally. Total NI contributions in 1982-83, including the National Insurance surcharge, are forecast at £22.12bn of which employees will pay £8.39bn and employers £13.73bn.

Continued from Page 1

Tebbit

support — the need to reform apprentice training and the need for greater opportunities for adult training and retraining.

The Government has set a target of 1985 for its plan to replace time serving apprenticeships with a system based upon the achievement of standards. It will gradually withdraw financial support from training schemes which do not move in this direction.

This aspect goes to the heart of some demarcation rivalries and will be particularly sensitive to union support.

The training proposals — which include a go-ahead next year for an Open Tech operating on the same principles as the Open University — will eventually consume about 1 per cent of all public sector expenditure. Mr Tebbit described the package as the "most far-reaching and ambitious set of proposals for industrial training ever put before Parliament."

Peter Riddell, Political Editor, writes the Government's training measures were warmly welcomed by Tory backbenchers, although a number of Labour MPs argued that the scheme represented compulsory national service.

Mr Tebbit skilfully defused most of the potential Tory criticisms, repeating his success in last month's Commons statement on trade union reform.

Labour job for ex-Acas chief

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

MR JIM MORTIMER, the former chairman of the Advisory, Conciliation and Arbitration Service, was yesterday appointed the Labour Party's general secretary on the votes of the Left and Centre-Left on Labour's National Executive Committee. Mr Michael Foot, the party leader, supported him.

Mr Mortimer beat the candidate of the Right, Mr Alex Ferry, the general secretary of the Confederation of Shipbuilding and Engineering Unions, by 15 votes to 14, and now has the formidable job of strengthening the party's organisation for the next election.

The appointment means that Mr Foot now has a firm ally as general secretary in his struggle to hold the party together and maintain its credibility. Mr Mortimer, aged 60, has always been on the Left of the party, and was regarded as a militant trade unionist before going to ACAS in 1975.

He said yesterday that he supported conference policies, and that he saw one of his main tasks as getting these over to the public. He has long been a supporter of Mr Foot and he made it clear yesterday that he shared the party leader's opposition to proscription as a means of dealing with extremists within the party.

Mr Mortimer, who was chosen from a short list of six, succeeds Mr Ron Hayward, who is retiring in June. He takes over at a time when both party morale and organisation is in a poor state, and when Labour seems to be on the verge of civil war.

As general secretary, he could play a key role in the new move against the hard Left which will be discussed by the executive today.

His attitude depressed some Right-wingers on the Executive who until Mr Mortimer was encouraged to stand by Left-wing trade unionists, had thought Mr Ferry would win, and that the Left's vote would be split.

In the event, the Left's other front runner, Mr Bob Wright, an assistant general secretary of the Amalgamated Union of Engineering Workers, withdrew at the last moment, and in the first round the two other left-wing candidates—Joyce Gould, and Mr Dick Clements of Tribune magazine—got only one vote each to Mr Ferry's 14 and Mr Mortimer's 13.

Mr Mortimer's appointment coincided with an announcement from the Conservative Party on details of its new management shake-up. Mr Cecil Parkinson, who was appointed chairman four months ago, is bringing in a new team to head the party's campaign for the next election.

Profile, Page 9

Continued from Page 1

Laker

accepted some risk at the time of the Airbus sale to Laker Airways "because at the time we thought the risk would progressively disappear."

Airbus Industrie, said M Beteille, would do its utmost to help a customer when he is in trouble and this included accepting the concept of debt rescheduling.

The manufacturer would not, however, take over risk from banks. "Our position is quite clear. We are not running an airline and we are not a bank. We are a manufacturer and we produce aircraft," said M Beteille.

M Beteille said he agreed with a statement made last Friday by Mr Bernard Friend, finance director of British Aerospace, that there could be no preferential treatment of any single member of the Midland Bank's Airbus consortium.

Singapore Airlines buys jets for £955m

By Michael Donne in London and Ian Hargreaves in New York

SINGAPORE International Airlines, one of the world's fastest-growing air fleets, is to buy eight Boeing 747 Jumbo jets and six European A-300 Airbuses, worth a total of U.S.$1.8bn (£955m) including spares.

The Boeing 747s will be extended upper deck versions each seating 424 passengers. Deliveries start in May, 1983 and will be spread over four years. They will bring SIA's 747 fleet to 24 aircraft used on long-haul routes to Europe and the U.S.

The six Airbuses will be A-300B4-200s, bringing the airline's Airbus fleet to 12 aircraft used on its short-to-medium range regional network in South-East Asia. The Airbus deliveries will start in summer, 1983.

The SIA purchase is the biggest aircraft deal in terms of cash value announced this year, which has generally been a poor one for the major aircraft manufacturers.

The Airbuses will be equipped with Franco-American CF-6-50C2 engines, valued with spares at $600,000 each. SIA has also taken options on two A310 aircraft, the new generation 210-seat airbus.

SIA has not yet specified engines for the 747s. It said it would decide by February whether to fit the Rolls-Royce RB-211-5423D4 or the Pratt and Whitney JT9D-70. General Electric, the other engine manufacturer, has apparently made a late attempt to win the contract which is likely to be the biggest aero engine order for many months.

The airline has also taken an option on two other 747s in addition to those on firm orders.

The orders reflect the long-term confidence of SIA in its growth potential

Yesterday's announcement reflects STA's determination to retain its reputation of running one of the youngest fleets in the world, but its strategy is bad news for McDonnell Douglas, maker of the DC-10 aircraft.

Mr Pillay said SIA would be selling its four DC-10s, as well as eight older Boeings, leaving it with a fleet in the mid-1980s composed entirely of Airbus and Boeing 747 aircraft.

Mr Pillay also disclosed that the U.S. Export-Import Bank had refused to supply subsidised credit to back the 747 order, on the grounds that the plane has no effective competition.

Weather

UK TODAY

VERY COLD with scattered showers of sleet and rain, and freezing fog.

London, S.E. England, East Anglia, Central Highlands, N.E. and W. Scotland
Scattered wintry showers and sunny periods. Max. 3C (37F).

Channel Islands, S.W. and Central Southern England
Cloudy, rain or sleet at times. Max. 5C (41F).

N. Ireland, Rest of England and Scotland
Freezing fog with some sunshine. Max. 3C (37F).

Outlook: Very cold with freezing fog and snow showers in the east, possibly longer outbreaks of snow in the south.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	13	55	L. Ang.†	F	12	54
Algiers	F	22	72	Luxmbg.	F	2	36
Amsdm.	S	−3	27	Luxor	S	26	79
Athens	R	15	59	Madrid	C	12	54
Bahrain	S	25	77	Majorca	C	18	64
Barclnā.	F	17	63	Malaga	S	22	72
Beirut	F	22	72	Malta	F	17	63
Belfast	F	4	39	M'chstr.	C	1	34
Belgrd.	Sn	−1	30	Melbne.	S	21	70
Berlin	S	0	32	Mx. C.†		—	—
Biarritz	R	14	57	Miami†	C	22	72
Bmghm.	C	1	34	Milan	S	8	46
Blackpl.	C	0	32	Montrl.†	Sn	0	32
Bordx.	R	10	50	Moscow	C	−8	18
Boulgn.	C	3	37	Munich	Sn	2	36
Bristol	C	3	37	Nairobi	C	25	77
Brussels	S	−2	28	Naples	F	11	52
Budpst.	C	2	36	Nassau		—	—
Cairo	S	21	70	Nwcsl.	C	3	37
Cardiff	C	2	36	N. York†	C	2	36
Cas'b'ca	C	20	68	Nice	F	14	57
Cape T.	S	20	68	Nicosia	F	20	68
Chicg †	C	−10	14	Oporto	R	16	61
Cologne	Sn	−3	27	Oslo	S	−11	12
Cpnhgn.	S	−5	23	Paris	R	6	43
Corfu	C	13	55	Perth	S	25	77
Denver†	C	−2	28	Prague	Sn	0	32
Dublin	C	5	41	Rsykjvk.	C	−3	27
Dbrvnk.	C	9	48	Rhodes	C	18	64
Ednbgh.	F	−4	25	Rio J'o†		—	—
Faro	C	18	64	Rome	S	15	59
Florence	F	9	48	Salzbrg.	C	2	36
Frankft.	C	1	34	S F'cisc†	C	12	54
Funchal	C	19	66	S. Moritz		—	—
Geneva	C	1	34	Singapr.		—	—
Gibraltar	S	19	66	S'tiago†		—	—
Glasgow	C	−1	30	Stckhm.	F	−8	18
G'nsey	R	7	45	Strasbg.	R	5	41
Helsinki	F	−4	25	Sydney	S	19	66
H. Kong	S	17	63	Tangier	C	19	66
Innsbr.	Sn	1	34	Tel Aviv	F	21	70
Invrnss.	S	−2	28	Tenerife	F	19	66
I.o Man	C	3	39	Tokyo		—	—
Istanbul	R	8	46	T'ronto†	C	0	32
Jersey	C	7	45	Tunis	F	18	64
Jo'burg		—	—	Valencia	S	18	64
L. Pims.	F	21	70	Venice	S	3	37
Lisbon	R	19	66	Vienna	F	9	48
Locarno	R	3	37	Warsaw	Sn	−4	25
London	C	6	43	Zurich	C	5	41

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. † Noon GMT temperatures.

THE LEX COLUMN

Software and hard cash

ICL's financial position is looking more stable than six months ago, but is still precarious. Before yesterday's £32.2m right issue, shareholders' funds totalled £71.6m, of which £50m is in the form of preference shares redeemable in April 1983 and can be regarded as a deferred loan. Net borrowings at the end of November amounted to £187m, with roughly £30m of redundancy payments still to be financed.

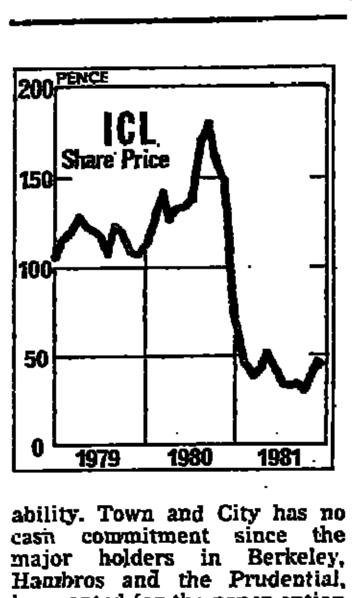
The group has substantial unused bank facilities, but its need for new equity is obvious. The rights issue is very heavy, representing three fifths of the current market capitalisation of £56m, and will require an act of faith from shareholders at a times when the group is still losing money and not expecting to pay a dividend for at least another year.

The case for supporting ICL is that it has over £700m of turnover, and an aggressive management. Payroll costs accounted for no less than 49 per cent of revenue last year, but the group is reducing its workforce by a third—and expects to cope with any improvement in demand from its much reduced costs base.

Orders improved in October and November, which suggests customer confidence, and the group managed to break even in the second half of last year before £16m of finance costs. It plainly hopes to be in the black pre-tax by the end of this year, and further down the road its string of collaborative deals should be helping to bolster turnover.

Against that, ICL's business strategy has yet to be tested, and the attempt to come up from behind in a fast moving and fiercely competitive industry must involve significant risks. Moreover, it seems unlikely that ICL will make enough profits in the next couple of years to avoid the need for further financial restructuring. The market capitalisation after the issue will be £89m, and shareholders face more dilution before they reach the promised land.

Index fell 0.1 to 513.5



Town and City

Town and City has wasted no time in capitalising on its recent property revaluation. Yesterday's recommended offer for Berkeley Hambro will bring the company's finances to a level of respectability which would have taken several years to reach under its own steam.

Town and City shareholders will suffer some small and temporary asset dilution but this is no price to pay for an immediate return to profitability. Town and City has no cash commitment since the major holders in Berkeley, Hambros and the Prudential, have opted for the paper option and the cash alternative is fully underwritten. Berkeley's share price rose 53p yesterday to 327p, 12p above the cash offer.

The paper offer, worth about 350p on last night's Town and City share price of 30¾p, represents a discount of around 15 per cent to Berkeley's reported net worth. Cash accounts for nearly 40 per cent of these net assets, but Berkeley has contingent tax liabilities which bring the underlying figure to the cash offer price. So shareholders should receive something close to a true break-up value while Town and City can presumably shelter the tax liabilities. The presence of the Prudential, Hambros and Legal and General in the new shareholders list lends the city's imprimatur to the deal, while Barclays Bank — a loyal supporter of Town and City—will be bought out of its stake in the company.

Northern Foods

Northern Foods has beaten the forecast made during last month's rights issue by a respectable margin. Profits before tax and profit sharing have risen 10 per cent to £34.6m in the year to September, a performance which should easily be outpaced in the current year.

The rights issue has left the balance sheet almost ungeared and this year's £37m spending programme should be largely financed from cash flow. So, with Avana treated as an associate for the first time, there should be a good deal of bounce from the non-trading account. The trading pattern is cloudier, liquid milk, remains a prey to government pricing policy and Pork Farms is unlikely to make much progress in the first half.

But the second half should look better for the meat businesses: Bluebird is picking up in the U.S., and Pork Farms is deriving increasing benefits from the northward push of Sainsbury's. Northern looks poised for another acquisition, probably in the U.S., which could upset all calculations; meanwhile the shares yield a very well-covered 5.1 per cent at 142p.

State industries

The Hundred Group of top finance directors is right to be concerned about the drawbacks of the debt-dominated financial structures typical of nationalised industries. The present set-up is leading to harmful results, such as the upward distortion of prices in some cases, and the arbitrary curtailment of profitable investment projects in others: in both cases the adverse impact is suffered by private - sector companies. Plainly, financial structures of state industries which made them more sensitive to market conditions and gave encouragement to improvements in efficiency would be highly desirable. Indeed, the Hundred Group argues that changes are "urgently needed."

However, the Group's report on financing State industries, published today, is inadequate in several crucial areas. Thus it rather glibly proposes that the public sector's boundaries can be redefined in a way that would remove many of the restrictive effects produced by the Government's strict monitoring of the public sector borrowing requirement. But stroke-of-the-pen measures cannot do anything to affect monetary conditions or interest rates.

Secondly, the report fails to deal satisfactorily with the problem of the monopoly industries like British Gas or the Post Office. If given more freedom from direct Government supervision these might use their monopoly power to permit excessive expansion and fund raising. Indeed, the Government's concern about protection of the consumer is one reason why British Telecom's Buzby Bond is being held up. The Hundred Group appears to have dropped proposals in an earlier draft of its report for the appointment of public commissioners to monitor utilities; but it is clear that some kind of framework for limiting monopoly power would have to be installed before the nationalised industries could be allowed free rein in the capital markets.

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